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THE CONTRIBUTORS

W. W. Rostow is Professor of Economic History at Massachusetts Institute of Technology, where he is a member of the Center for International Studies. His most recent publications include *The Dynamics of Soviet Society*, written in collaboration with Alfred Levin (1953), and *The Prospects for Communist China*, with R. W. Hatch, F. A. Kierman, Jr., and Alexander Eckstein (1954).

Charles A. Micaud is an Associate Professor in the Woodrow Wilson Department of Foreign Affairs at the University of Virginia. He is the author of *The French Right and Nazi Germany, 1933-1939* (1943) and a contributor to *Modern France: Problems of the Third and Fourth Republic*, edited by Edward Mead Earle (1951).

Jerome B. Cohen is Associate Professor of Economics at the College of the City of New York. Among his published writings are *Japan's Economy in War and Reconstruction* (1949) and a memorandum prepared in 1952 for the Center of International Studies, Princeton University, entitled "Economic Problems of Free Japan."

Warner R. Schilling is Research Associate in the Institute of War and Peace Studies at Columbia University and Lecturer in Government at Columbia College. He is engaged in a study of the foreign policy premises of American naval policy in World War I and is taking part in the Institute's research project on civil-military relations.

Allen S. Whiting has joined the faculty of Michigan State University as Assistant Professor of Political Science after completing a two-year Ford Foundation Fellowship, studying Sino-Soviet relations in Taiwan, Hong Kong, and Japan. He is the author of *Soviet Policies in China, 1917-1924* (1955) and co-author, with Ernst B. Haas, of the forthcoming *Dynamics of International Relations*.

Thomas C. Schelling, Associate Professor of Economics at Yale University, was associated with foreign assistance programs from June 1948 to August 1953 with ECA in Washington, Copenhagen, and Paris, and with the Office of the Director for Mutual Security in Washington. He has subsequently served as a consultant to the Foreign Operations Administration.

William G. Carleton is Professor of Political Science and Chairman of the Social Sciences at the University of Florida. During the past ten years, he has published, here and abroad, well over one hundred articles dealing with domestic politics, international relations, or historical interpretation; his most recent book is *The Revolution in American Foreign Policy* (1954).

Alexander Gerschenkron, Professor of Economics at Harvard University, has directed the economics projects at the Russian Research Center since 1949. Among his publications are *Economic Relations with the U.S.S.R.* (1945) and *A Dollar Index of Soviet Machinery Output* (1951).

Alexander Eckstein, Research Associate at the Russian Research Center, Harvard University, was formerly an economist in the Division of Research for the Far East in the State Department. Co-author, with W. W. Rostow, of *Prospects for Communist China* (1954), he has recently published a three-part study of economic conditions in Communist China in *World Politics*.

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RUSSIA AND CHINA UNDER COMMUNISM

By W. W. ROSTOW

THIS article is an effort to set forth certain major similarities and differences between the societies of the Soviet Union and Communist China as of January 1955.[1]

It is evident that the Soviet Union and Communist China have many characteristics in common. They stem mainly from parallel or identical concepts of power and its purposes, internal and external, accepted by the respective top leadership groups. These concepts have been translated into similar methods of societal organization, imposed value standards, and lines of day-to-day policy at home and abroad. Differences between the two countries arise from the nature of the economies controlled by Moscow and Peking; from the length of time the Communist regimes have been established; from certain characteristics of each top leadership group; from elements in the Russian and Chinese cultures that even modern totalitarianism has not wholly erased; and from problems presented by the goal of external expansion that the Soviet Union and Communist China share.

Since the top leadership in the Soviet Union and Communist China, linked by close and subtle bonds of habit and common interest, constitute in one sense a single phenomenon, many aspects of American policy toward the two countries must be undifferentiated. Nevertheless, situations may arise when the most effective course for the United States would be to take account of special conditions in the camp of one or the other of our adversaries. It is not the purpose of this article to make recommendations for American policy, but to describe the nature of these special conditions, in broad terms.

I. The Principal Similarities

(1) The leadership groups of both the Soviet Union and Communist China are deeply committed to the conception that the domestic power of the Communist state must be total. This means, specifically, that the state must establish and maintain a position wherein it exercises surveillance down to the level of the individual; directly controls the

[1] It should perhaps be emphasized that this article is not primarily concerned with Sino-Soviet relations, a subject that has been fully dealt with in W. W. Rostow, R. W. Hatch, F. A. Kierman, Jr., and A. Eckstein, *The Prospects for Communist China*, New York, 1954, Part 4.

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smallest units of political and social organization; commands, without effective restraint, the life and fortune of every individual; and demands from all an absolute overt conformity to the state's current policy.

(2) Chinese and Russian techniques for administering total power are, broadly speaking, identical. Multiple arms of state authority exist, unified only at the top of the power structure. The principle of "democratic centralism"—that is, policy dictated from the top—regulates the organization of society as a whole, as well as its subunits. The arms of state authority include large armed forces; a secret police establishment; a state bureaucracy controlling (directly or indirectly) virtually the whole economy; a Communist party; a state system of education; a state monopoly of means of public communication and public organization; and large forced labor units.

(3) Policy-making power over the machinery of the two societies is centralized in the hands of a few leaders, who claim legitimacy on dual grounds: that their Marxist-Leninist understanding of the "correct" course for history gives them the right to rule; and that they are "correctly" pursuing the national interests of their respective nations.

(4) The overriding general objectives of Russian and Chinese domestic policy are to guarantee the continuity of Communist rule and to enlarge the economic foundations for external power by maintaining a high rate of industrial investment.

(5) The overriding general objectives of their foreign policy are to expand the power exerted and the area ruled from Moscow and Peking, within limits set by the requirements of maintaining the continuity of domestic rule and the Sino-Soviet alliance.

(6) Specifically, Moscow and Peking now appear to be committed to a policy of driving the United States from its position of influence and power on the Eurasian continent, by any means short of major war, and of bringing the non-Communist areas of Eurasia (and Yugoslavia) under their control.

(7) The criterion for individual advancement within these societies is a combination of obedience to orders and efficiency in technical performance.

(8) Despite the tremendous emphasis placed on ideology in Soviet Russia and Communist China, the main positive incentives for desired performance are public recognition, a degree of power, material advance, and nationalism. The chief negative incentive is fear of death or harm to the individual and his family. The dominant form of general education (aside from ideological indoctrination) is engineering, which develops a strong technocratic bias in the elite. This bias, already

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a generation old in the Soviet Union, is rapidly emerging in Communist China.

(9) The industrial working force of the two countries is under strict discipline and control through both the structure of industrial organization and the trade unions. The average level of real wages is constrained in the interest of investment and military outlays; but a strong appeal is made through material incentives to raise work quotas and norms.

(10) The peasants are controlled politically by effective Communist domination of village life, and economically by the mechanism of collectivized agriculture and state administration of agricultural markets.

(11) In both societies, an ultimate "transition to Communism" from the present stage of "socialism" is envisaged as an abstract ideological goal.

II. The Principal Differences

A. THE TWO ECONOMIES

The most obvious and certainly one of the most important differences between the two societies is the disparity in their economic foundations. The Soviet economy is a major industrial economy which has long since demonstrated its ability to generate and to sustain a more or less regular rate of growth, reflecting, in turn, an ability to generate and to absorb productively a high rate of savings. Moscow's central economic problems at the present time are those of structural balance and productivity. On the other hand, the Chinese economy, despite the valuable industrial accretion left by Japan in Manchuria, is in an early and transitional stage; its growth is not yet self-sustaining. And even assuming that the Chinese Communists succeed in accomplishing this decisive transition, they will still be at least two generations behind the Soviet Union in terms of industrial growth.

This disparity has a peculiar importance in Communist thought and behavior. Economic, and especially industrial, strength is regarded in a direct way as the foundation as well as the index of total power. Mao has often stated that China's independence and power will be real only when China has a self-sufficient, mature industrial plant. Whatever surface of boldness and aggressiveness Peking presents to the world, it is essential to understand that in fact—and in Communist thought—Communist China is at least a generation, and probably two generations, from major-power status. So long as its long-run ambitions to gain this status remain serious, Peking must accord an overriding priority to its basic problem of industrial growth. So far, this priority has not produced (as with Lenin, in 1921) a frank acknowledgment

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of weakness and an external policy of national defensiveness. On the contrary, it seems most likely that an NEP stage for Communist China was considered and explicitly rejected in the course of 1953. The underlying fact remains, nevertheless, that Mao's China of 1955 is a lesser power base in ultimate military terms than Lenin's Russia of 1921, let alone Stalin's of 1929, when the First Soviet Five-Year Plan was launched. As will be noted later, however, the present techniques for conducting cold war in Asia somewhat reduce the significance of "ultimate military strength"—to the cost of the Soviet Union as well as the United States, and to the advantage of Communist China.

The differing stages of the two societies with respect to economic growth have produced a situation not without some irony: Peking is proceeding along Stalin's path of the First Five-Year Plan at the very moment when Moscow is measuring some of the costs and mistakes of Stalin's policy.

Broadly speaking, the Soviet economic position might be described as follows: Stalin's policies after 1929 represent one method for making the transition to industrialization, a transition through which many modern states have passed and many underdeveloped countries now seek to pass. It involves in all cases a reorganization of society such that, at its close, the following conditions are satisfied: (1) A sufficient pool of savings is regularly mobilized to sustain a steady increase in per capita real output, although not necessarily per capita real welfare. (2) Institutions exist for translating the pool of savings into investments which maintain a more or less orderly and mutually consistent structure of production. (3) Those controlling the structure of production are technically and psychologically prepared to introduce new applications of science into the economy. (4) The economy is capable of producing or purchasing abroad sufficient food to maintain that minimum standard of welfare required for the operation of the working force.

At the time of the November Revolution, Russia had already gone a great distance toward making this basic transition. There had been some thirty years of slow preparation for it after the freeing of the serfs in 1861. Such preparatory decades are typical of the growth process. From the 1890's, the development of railroads, grain exports, raw material output, and domestic industry interacted to produce a striking transformation of the Russian economy and Russian society generally. War and revolution disrupted this process in mid-passage.

Thus, in 1929, when Russia had just recovered its prewar output levels, Stalin took over an economic growth process already quite far-advanced. He carried it forward with institutions, methods, and structural objec-

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tives which differed sharply from those of his Tsarist predecessors. In particular, he concentrated on the development of heavy industry at the expense of consumers' goods, housing, and transport. He shaped his economy around a diminished level of foreign trade. In this effort, he had the following advantages: (1) a system of political and social control capable of mobilizing a high proportion of national income for capital investment by depressing the level of consumption; (2) a balance between population and food resources capable of permitting Russia to eat over a period when agricultural investment was neglected and the peasant's productivity damaged by Soviet political and social policy; (3) a backlog of Tsarist investment in housing and transport which permitted the regime to minimize its investment outlays in these directions; (4) a backlog of scientific and technical possibilities not yet applied in Soviet industry, making for abnormally large increases in output, as the result of investment in minerals and certain other natural resources; and (5) a pool of excess labor on the land which could be drawn off into industry and forced labor.

Economically, Stalin's era is likely to be defined as the phase when these advantages were exploited with ruthless energy to push the Soviet Union from the intermediate industrial status, achieved in the years 1890-1917, to its mature industrial status of 1954. It will be noted, however, that by definition all these advantages are transient, except the first; and the long-run viability of a control system capable of sustaining the level of investment at the cost of a stagnant level of welfare is still to be tested.

The Soviet Union now faces a situation where growth cannot be sustained by the crude and voracious exploitation of backlogs of resources and techniques, and where sectors of the economy cheated in Stalin's system of investment allocation pose problems which can be ignored only at increasing cost. Nor is it likely that the Soviet growth rate can be maintained unless greater attention is given to the human beings who operate the economy; for Stalin's policy mined the human resources of Russia much as it did the richest veins of ore, the most accessible stands of timber. The forced labor system has been an aspect of this wasteful use of human resources as well as a general symbol of Stalin's economic method and its heritage.

Assuming that this appreciation is correct and that Peking more or less shares it, one might still take the view that Peking would be delighted to face in the 1970's the structural problems confronting the Soviet Union in the mid-1950's, in exchange for an equivalent rate of industrial and military growth in the intervening period. In fact,

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roughly speaking, this exchange appears to be part of the fundamental calculus of the Chinese Communists in the era of their First Five-Year Plan.

However, important doubt exists that the analogy between the Soviet position in 1929 and the Chinese position in 1952 is applicable.[2] China starts from a lesser industrial base and requires an enlarged foreign trade; China starts with a bare agricultural balance, not an export food surplus. The Soviet Union survived a fall in agricultural output of 20 per cent between 1927/28 and 1932. This Communist China cannot afford. The strains on the Chinese agricultural position can be counted upon to be acute over the coming years and not soluble by action as simple and definitive as Stalin's collectivization measures in the First Soviet Five-Year Plan.

The conclusion is that any evaluation of the economic position of Communist China over the foreseeable future must take into account the scale and continuity of the task of draining resources from agriculture while avoiding excessive starvation—a task which is different from the current Soviet problem in agriculture and even different from Stalin's problem during the First Soviet Five-Year Plan.

B. SIX VERSUS THIRTY-EIGHT YEARS OF COMMUNISM

The differing stages of development of the two economies have a general counterpart in the situation and outlook of their various social classes. The bulk of the Soviet population knows only Communist rule, while memories and habits of pre-Communist China are still widespread and strong. Soviet society has developed by fairly easy and natural stages, whereas Communist China, in an early stage of transformation, must proceed under the stick-and-carrot technique of Communism in power.

Specifically, these are the principal social differences which arise from the differing periods of Communist authority in Moscow and Peking:

(1) *The Bureaucracy*. The Soviet state is operated by a generation of bureaucrats, developed by Soviet society itself, who have embedded themselves in their jobs and their privileges for almost two decades. These men and women have been technically trained. They have progressed by a mixture of efficient performance and success in bureaucratic politics. By and large, they took over in the period of the Great Purge, fought through the Second World War, and have seen their positions somewhat strengthened in the post-Stalin period. Their basic attachments are to the Russian nation, to the professional standards in

[2] Cf. Rostow, *et al., op.cit.*, notably Part 6.

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which they have been trained, and to the specific bureaucratic institutions within which they work—not to Bolshevism or Marxism as a creed or philosophy. They are, in a sense, Stalin's creation: a product of the forms of education and incentive that he offered in the 1930's. But they are not Stalinists. They have come to regard as ends in themselves objectives which Stalin supported as means. By and large, they look to a more orderly, efficient society, freed to some degree of the arbitrary and brutal secret police interventions which marked Stalin's rule. They will not, of course, disrupt Stalin's empire on their own initiative, or cease to probe and exploit the weaknesses of the free world as they perceive them, for aggression is a built-in part of the Soviet bureaucracy. But the men coming forward in Moscow are distinctly a second-generation phenomenon.

In Communist China, the leadership is now seeking to create such a new generation of competent technicians, but it has barely begun the task. The bureaucrats directed from Peking are a curious mixture: old fighters from the days of insurrection; KMT bureaucrats taken over by the new regime; non-KMT intelligentsia only recently recruited; and youngsters being brought along rapidly for their competence, zeal, and lack of attachment to non-Communist elements in the Chinese past. In short, the Communist Chinese bureaucracy is much nearer that of the Soviet Union in the 1920's than in the 1950's.

(2) *The Industrial Working Force.* Institutionally, the industrial worker in the Soviet Union and in Communist China finds himself in much the same position: his real wages are low; he is under continuing pressure to increase the work norm or quota that goes with a given wage level; he is held to a tight discipline by both the industrial chain of command and his Communist-dominated union; his political energies are exhausted by an endless flow of propaganda and time-consuming indoctrination meetings. He is a hard-working cog in a machine over which he now has no control and over which he does not believe he can ever exercise control.

Nevertheless, there are some significant differences in the attitudes of Russian and Chinese workers. The Soviet workingman, harnessed to a large and mature industrial system and aware of its growth and its current capabilities, is increasingly restive under the regime of stagnant real wages and deteriorating housing that has been his lot. The Chinese industrial worker knows that the industrial system of which he is a part is at an early stage of development; for the present, he may be somewhat more inclined to accept passively the exhausting

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hard work and minimum standard of living which are meted out to him.

These possible differences in attitude are reinforced by a technical difference in the two labor markets. Even unskilled industrial labor is at last in relatively short supply in the Soviet Union, while there is a vast excess urban population in Communist China. Except for highly unskilled labor, the Chinese workingman is in a poor bargaining position; the Soviet workingman's is increasingly good. For many years, Soviet growth was supported by the transfer of manpower from low productivity agriculture to higher productivity industry. At the present stage, there is little or no excess labor in the Soviet rural economy at existing productivity levels, and the regime in Moscow must look to increased output per man to maintain the Soviet growth rate.

There is also an ideological difference between the two working forces or at least a difference in ideological history. In the early days of the Soviet Union, the trade unions were a major revolutionary force and a power in the land for a short period. The industrial worker was instilled with the concept of the "dictatorship of the proletariat," and was only gradually disciplined back to the realities of a totalitarian state. In China, after a disabusing experience of Communist leadership in the 1920's, the industrial worker was a passive observer of the Communist triumph in 1949. Without any intervening period of revolutionary activity, he is now up against the totalitarian stick-and-carrot techniques. In different ways, then, there are latent revolutionary potentials in the two industrial working forces, although no revolt or even active dissidence is to be expected unless the ample and efficient urban control machinery of both regimes is damaged by internal crisis or external force.

(3) *The Peasant.* The Soviet peasant has long been familiar with the situation which is just beginning to emerge for the Chinese peasant, that is, collectivized agriculture. Although the Soviet peasant has seen a number of twists and turns in Soviet agricultural policy—now temporizing, now hardening—he knows that the regime is no longer confident of its method. The post-Stalin high-level public re-examination of agricultural policy must have translated itself into confusion and uncertainty among officials at the village level. The Chinese peasant is confronted by an implacable intent to drain his output off into the state's hands at a minimum rate of return; and, although he can shrewdly observe the dilemmas of the village cadres, he must sense the ruthless intent of Peking to see through its grain mobilization and collectivization policies at the present stage. There is no perceivable

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light at the end of the tunnel for him. There is little enough, but some, for the Russian peasant.

There are further specific differences in the situations of the two groups of farmers which should be noted. Except for a few areas in the north, there has not been in China any significant reorganization of farming; if anything, the unit farm has decreased rather than increased in size. The Chinese peasant thus lives and works in the old setting, and in the main employs the old methods of tilling the soil. The Russian peasant, on the other hand, has seen a real technical revolution.

The density of population on the land has remained in China probably much what it was before the Communist regime, despite the "blind rush to the cities" and accelerated "industrialization." In Russia, the drain of manpower to the cities has been a real phenomenon, outracing the normal rural population increase.

Since the great famine following the collectivization drive of 1929-1930, and with the possible exception of a few bad harvest years, the Russian peasant has had enough bread to avoid starvation. There has been and there is likely to continue to be some chronic starvation in the Chinese countryside.

The profound dislike of collectivization by Soviet and Chinese peasants is well attested. The Soviet peasant is in a somewhat better welfare position than the Chinese peasant and, for the moment, under less desperate pressure from the regime. However, the uncertainty of high policy in Moscow may conceivably (not verifiably) give him more scope—but still extremely limited scope—for making his discontent felt in the Kremlin.

(4) *The Intellectual.* The intellectual and the artist in the Soviet Union have now had a long history of Communist rule, of which the post-Stalin period is a third phase. There was first a period of relative freedom in the 1920's, within the general orbit of sympathy for the new Soviet state. Marxism was taken seriously by one group as an intellectual foundation for the pursuit of knowledge and for the arts; others continued to work in the Western tradition, but avoided overt clashes with the Soviet state. The second major period was Stalin's, one of rigid directed conformity to the state's requirements, marked by a considerable dilution or elimination of Marxist determinism and the substitution for it of a glorification of the state's current policies and objectives. The present phase is one of a mild loosening in the degree of direct state control, some reassertion of the right to seek scientific truth objectively and the right of the artist to record his perceptions

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with integrity, but all within limits of loyalty to the system. We do not know where the loosening will end or, in fact, how far it has really gone. What is evident is pressure from both scientists and artists for release from the degree of dictation that Stalin's Russia demanded.

In China, the situation is different. Chinese Communists never underwent a phase of profound immersion in Marxism. They were Stalinists, in a sense, before Stalin—that is, flexible power technicians unencumbered by the weight of Marx's intellectual baggage. The Chinese took to Leninism because it appeared to be a successful device for seizing and holding power and for modernizing a backward society. They have, of course, insisted on a high degree of indoctrination among the intellectuals, on confessions, brain-washing, and the rest. One senses that the purpose of all this is to produce not Marxists but men who, having cut themselves off from their past, will serve the state efficiently. There can be little real belief that the kinds of indoctrination undertaken have produced a radical change in inner concept. On the whole, then, for intellectuals the mood of Communist China is quite close to that of Stalin's Russia, but it lacks the background of serious Marxism which engaged large numbers of Russian intellectuals both before and after November 1917.

C. TOP LEADERSHIP

Detailed knowledge of the top leadership position in both countries is meager. From what we know, however, there appear to be major differences in the techniques for handling ultimate authority as between Moscow and Peking.

So far as is known, Mao exercises undisputed final authority in Peking, whereas in Moscow final authority is exercised by a small group of key figures.

The top group in Peking is an old gang, united not merely by their link with Mao but by the continuity of more than twenty years. It is significant that the Long March men still hold the key posts of power. This is government by the first generation of revolutionaries. They command their bureaucrats absolutely and with confidence. In Moscow, we find a group united only by the fact that Stalin appointed them as lieutenants at one stage or another, and by the fact that they all have a dual stake in the present "collective procedure": if they fall out, the whole system might go, and they with it; if they pass power to one man, their lives as well as their jobs are in forfeit. They are conducting a difficult constitutional experiment not out of ideological belief but *faute de mieux*. This loosened form of executive rule has given scope

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to the positive interests of the higher bureaucracy. The bureaucrats appear anxious to consolidate the security of their position in the power hierarchy and to widen their freedom of action. So far as we know, there is no equivalent yet in Peking to this subtle encroachment of the bureaucracy on executive power.

In both systems of top power, the military are important. In Peking, their power derives from converging factors: Mao's close association with the military organization and its key figures; the tenseness of the military situation which has persisted since 1949; the key role of the military in taking over power and administering the early stage of Communist rule in China. If a trend is perceivable in Peking, it is toward some derating of the political power of the military in favor of the developing civil arms of bureaucracy. The evidence is that this trend has not progressed far, and, in the writer's view, it is not likely to so long as Mao is in control.

The history of the Chinese Communist revolution and the reputed special trust that Mao places in the military suggest that the regime would hesitate to effect any rapid definitive subordination of the military to the party. And the possibility of an attempt to establish a sharp line of party superiority must be considered against the fact that the Chinese Communist military leaders are not only senior makers of the Communist victory but also men who have at times wielded great personal power in more than a military command sense. They are, in other words, a different breed of military leaders than those Stalin had to contend with, and men not as easily susceptible to purge procedure as Stalin's generals of the mid-1930's.

In Moscow, the increased political power of the military, however great or small it may be, is a post-Stalin phenomenon, unique in Soviet history. Lenin had no significant military establishment to contend with, and such as there was operated under tight party control. Stalin used his intimate control over the secret police as a basic tool to keep his deputies in line and the bureaucracy in a state bordering on chronic terror. In particular he made sure, from the Great Purge forward, that the military bureaucracy was under complete executive control and denied the power to attempt a *coup d'état.* Although the evidence is by no means conclusive, it would appear that in the past two years the military have been drawn in as a counterweight to all efforts to re-establish a Stalinist rule. There is little doubt that the Soviet armed forces were, in fact, invoked to bring Beria down and that they have succeeded the secret police in certain key security functions within the Soviet Union.

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This is a new and dangerous development from the point of view of Communist history. The secret police have always been an agent of Communist political power. Is there not danger that, with the police weakened, the armed forces might seize control of the country? Technically, it is altogether possible that this could now be done. If it is true that the Soviet armed forces now command their own ammunition dumps within the Soviet Union—a function allocated by Stalin to the secret police—they hold the power of political decision.

On the whole, however, the present political leaders in the Kremlin can feel reasonably secure under these circumstances. They will undoubtedly continue to maintain an intensive degree of party and secret police control in the middle and lower levels of the armed forces; but they can, within limits, rely on more substantial elements of stability. The Soviet military leaders are, after all, top Soviet bureaucrats, created by the Soviet system, with every stake in its survival. It is certain that they disliked Stalin's suspicious and denigrating system of control over them. It is likely that they disagreed with aspects of his internal and external policy. But they are not, as a group, revolutionists. Nor are they Bonapartists, with inflamed nationalist ambitions. They are bureaucrats, with large salaries and material rewards, high status, and a rather conservative desire for personal and national security. These are likely to be satisfied under the present distribution of power within the collective leadership.

The danger that the armed forces present to the stability of the post-Stalin system lies in the questionable stability of the system itself. Any move for the resumption of effective one-man rule must envisage a reduction in the policy-making prerogatives now shared by those who head the several bureaucracies. It must envisage, in particular, the recreation of effective control over the armed forces, with a withdrawal of the privileges and powers acquired since Stalin's death. An attempt to withdraw these powers may, indeed, lead the armed forces to exploit the *de facto* authority implicit in the present position they hold within Soviet society. Only in this negative sense, then, can we visualize a military *putsch*—as a reaction to an attempted revival of the Stalinist relation between the political executive and the armed forces, probably by means of a rejuvenated secret police under new management.

If this view is even roughly correct, we see in Peking, for the moment, a more stable and unified form of command than in Moscow. The Chinese Communists, now near the close of the first generation of dictatorial rule, are led by an established, experienced, and unchallenged figure commanding great prestige. In contrast, the Russian

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Communists are in a stage of complex transition, of questionable stability, between the second and third generations of totalitarian dictatorship, faced with an emerging challenge to the executive from a substantial middle-class bureaucracy and, perhaps, a stirring of popular aspiration for improved welfare and less arbitrary wielding of state power. These popular aspirations are not new; but the less certain conduct of executive power in the post-Stalin period may have encouraged the notion that improvement is a realistic possibility. Such expectations—not abject misery—are the seed bed of effective popular pressure.

D. PROBLEMS OF EXTERNAL EXPANSION

The problem of external expansion for international Communism, whether taken as a unified conspiracy or as two overlapping national efforts, presents different issues to Moscow and Peking. The nature of the differences will first be considered on the assumption that complete unity of long-run purpose exists within the Sino-Soviet alliance, and then on the more realistic assumption that cross-purposes of some limited significance are at work between the two groups of top leaders.

Broadly speaking, the strategic position of the Communist conspiracy can be defined as follows:

(1) It cannot move major military forces across existing borders either in Europe or in Asia without detonating major war; and, in the event of major war, it must count on such damage to its two existing power bases as to risk defeat and especially to risk loss of Communist control over Russia and China.

(2) Under these circumstances, the Moscow-Peking conspiracy is prepared for the moment to limit its methods of aggression to minor military operations, armed and unarmed subversion, political warfare, and diplomacy. The tactical goal of this phase is, at the maximum, to deprive the United States of influence and power on the Eurasian continent; at the minimum, to prevent the development of effective unity and strength within the free world.

(3) Despite the strength of the French and Italian Communist parties, despite the immense potential bargaining strength which derives from Moscow's possession of East Germany, the position in the West does not promise an easy extension of Communist power. At the moment, in fact, with the Western European Union formally agreed upon, international Communism is on the defensive in the West and confronted with a painful choice: either to risk the development of German arms within the Western camp, or to seek military security

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from the West at the cost of surrendering direct political and military power in East Germany.

(4) In the underdeveloped areas of the world, and notably in Asia, the prospects are much better for Communist advance by techniques that are both safe and available. The societies within free Asia are highly vulnerable from a number of directions, and free Asia lacks even the limited degree of unity of purpose which has been created over the past decade in Western Europe.

(5) Although in the short run, and over any planning period of medium length, the balance of effective power lies in Western Europe, current Communist tactics are likely to concentrate on the possibilities of extending power in Asia. Such an extension would build up Communist strength for the long run, when Asian power will be relatively greater; and, in the shorter run, it would drain energy and resources from Western Europe and the United States.

(6) In such a strategic and tactical setting, China's lack of modern weapons is minimized, since current aggressive tactics do not depend on their use. The position of China as an Asian power and the fact that Asian nationalism is so powerful a force make it easier for Peking than for Moscow to operate diplomatically and to engage in political warfare in the key region. China borders on several of the areas most subject to subversive operations and, tactically, is in a more natural position to control and direct such operations. Moreover, the Chinese Communist movement has strong historical connections with certain of the Southeast Asian Communist parties. Finally, the fact that the Chinese Communist industrialization is in an early stage makes it a more vital model—if Peking's plan succeeds—than the more advanced performance of the Soviet Union, whose current economic problems must seem almost as remote to Asians as those of the United States. In general, then, it would be logical for Peking to assume a major role in current Communist expansion efforts, even under the assumption of a completely unified international conspiracy.

Under this abstract assumption, Moscow's lesser functions in Asia might be defined as shielding Peking with its major-power status, so that Peking's enemies must reckon with total war in a showdown; assisting Peking with trade, technical guidance, and some credits in its industrialization efforts; exploiting the possibilities of trade and technical assistance so as to exert a supplementary pull on Japan, India, and other areas; and projecting to Asia an image of a successful and mature Communist state to reinforce the impact of Peking's performance.

Although the assumption of complete unity between Moscow and

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Peking is a good first approximation of the current position, it is by no means wholly accurate. One must take into account the cross-currents which result from the unsettled and ambiguous character of long-run Moscow-Peking relations. Thus far, the intimate alliance formed by Stalin and Mao early in 1950 has served well the interests of both Moscow and Peking. In the long run, however, it poses certain important problems.

From Moscow's point of view, the degree of independent authority which Peking will be capable of exerting, and will wish to exert, in Asia is obviously a most serious matter. If, in fact, Peking should assume a role of dominance in Asia (and perhaps throughout the Middle East and even Africa), Moscow might become a junior partner in the conspiracy. Such a prospect is distant, but there is evidence that Moscow is hedging against it even now. It is doing so by continuing to assert a strong major-power interest in Asia as a whole, as it did at the Geneva Conference of 1954; by maintaining its own ties with certain of the key Asian Communist parties (most notably in Japan and India); and by conducting with increasing vigor a campaign of economic attraction in India, Afghanistan, and elsewhere in Asia.

From Peking's point of view, the Sino-Soviet alliance has the powerful advantage of shielding and aiding China in a period of gathering strength; and it gives Peking sufficient bargaining leverage to increase the degree of its independent action in the Asian arena. Nevertheless, the alliance imposes on Peking certain costs. Peking is dependent now and over the foreseeable future on trade with the rest of the Communist bloc; on industrial and military spare parts from the bloc; and on a degree of Soviet restraint around its borders. Peking counts on successful industrialization to relieve this powerful dependence in time.

We can conclude, therefore, that so long as the prospects for Communist expansion in Asia remain good—and this depends greatly on the free world's performance—Peking is the primary direct beneficiary within the Sino-Soviet alliance. Moscow benefits as well, but more indirectly and for the short period. For the long run, Moscow must seek to hedge against the possibility that too great a Communist success in Asia, combined with too great a success in Chinese domestic policy, might produce a drastic shift in relative authority within the alliance. This threat is enhanced and made more urgent by the possibility that the cold war may, for a protracted period, be conducted without major military forces, under conditions of an atomic weapon stalemate. Under these circumstances, the raw military power wielded by Moscow loses some of its bargaining weight in the alliance.

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E. THE RUSSIAN AND CHINESE CULTURES

In the writer's view, it is an error to regard the Communist regimes in Moscow and Peking simply as historical successors to autocracies in the Russian and Chinese past. The attempt to generate internal and external power at the rate, with the priority, and by the techniques which Communist leaders feel compelled to essay has a particular consequence: the people ruled are regarded as a form of raw material, and their underlying dissidence is taken as a fundamental fact of life. Once power is seized and held, Communist regimes proceed fundamentally as occupation regimes. They do not rely on an "internalization of values," on positive loyalty, or on persuasion as that term is understood in the West. They rely on a pattern of incentives and restraints which are designed to yield particular concrete results without necessarily engaging the individual's enthusiasm.

Technically, modern totalitarian regimes differ from the autocracies of the past not so much in theory—for, after all, many autocratic kings have operated within the orbit of divine and absolute right—as in practice. Whatever their theories, the autocracies of the East and West were subject to powerful restraints. In Russian autocracy, as Sumner has pointed out, the supreme ruler was "closely circumscribed by the weight of custom and dependence on landed and military classes."[3] In China, the Emperor's mandate operated below the level of the *hsien* only through complex and subtle negotiation with local gentry and by compromising with major clan and family interests. In traditional autocracy, the individual was cushioned in many directions from the state's theoretically absolute power. Traditional autocracy was not inconsistent with a high degree of humanistic content in day-to-day life.

The powers of modern totalitarianism over the individual are vastly greater. Moscow and Peking can invade the life of village and street block; they can violate the intimacy and trust of the family; they can determine directly and without recourse the fate of any given individual.

All this is bitter and true; but it is not the whole story. It would seem that George Orwell in his *Nineteen Eighty-four* missed certain fundamental limitations on the power of a modern totalitarian state. If the absolute dictator wants effective performance as well as submission, he must take people as he finds them. He must build on incentives as well as restraints. The incentives which are effective are bound to reflect aspects of the existing culture and to perpetuate them. Stalin, for example, felt impelled to buttress his state before and during the Second

[3] B. H. Sumner, *A Short History of Russia,* New York, 1949, p. 84.

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World War by a revival of Great Russian nationalism, even yielding to a disciplined continuation of religious worship and a revival of pre-Communist Russian literature and history. He felt impelled to build a generation of able technicians on appeals not to ideology but to material reward, promotion, and public prestige in terms of performance. In the 1930's, the Russian armies were rebuilt squarely on such national, material, and prestige incentives. Even the peasant was not wholly denied his garden plot of land and the right to use a changing margin of production for his family or the black market.

Similarly, one can detect an increased reliance in Communist China on appeals to nationalism, to private advantage, and to personal prestige. The process has not proceeded as far as it has in the Soviet Union, where during the 1930's the Stalinist norms were built into the system of education, bureaucratic procedure, and, in a sense, into the very ideology of Communism. The trend is, nevertheless, evident. In fact, Communist China has required a considerably less radical shift from the initial revolutionary norms than the Soviet Union underwent in the 1930's. There was from the beginning a heavier dose of nationalism in Mao's than in Lenin's Communism; there was no romantic opposition to a bureaucracy in post-revolutionary China as there was in early Soviet Russia; there was an immediate acceptance of the notion that the loyalty of cadres and armed forces would have to be bought, in part, by privilege and material advantage.

In both societies, then, we can see a partially concealed, partially overt, divergence between the enunciated official jargon and the actual motivations upon which the system works from day to day. Ideological propaganda becomes in both cases a system of formulae which must be dutifully and exactly recited for safety's sake, rather than a set of views which are to be believed in implicitly. Beneath the level of formal official jargon, however, emerges a real system of incentives and restraints, awards and punishments, criteria for success or failure which are much less remote from the older cultures of Russia and China than the surface of Communist palaver would suggest.

As time passes, the encouragement of nationalism as a tactic yields men whose nationalism is in fact a real and powerful force in their motivation. The development of competent bureaucrats yields, in time, men who may well have a real loyalty to their job, their craft, and their branch of the bureaucracy. There is a sense in which the rising bureaucrat of, say, forty-five in the Soviet Union is more recognizably Russian in his cultural configuration than the authentic Bolshevik of the 1920's. And the rising bureaucrat is at the moment closer to policy-

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making than at any time since 1917. Should Communism persist in China for an equivalent period, the process of means triumphing over ends may come to operate there as well. It is clear that the second-generation bureaucrat produced by Communist society is the consequence not of purposeful social planning, but of the leadership's urgent requirement for performance of a given kind in a given cultural setting.

Assuming that, as time passes, old national values re-emerge in both societies, what can be said of the underlying characteristics of the Russian and Chinese cultures which may be relevant to internal and external policy?

(1) One is likely to see in both countries some diffusion of authority and a dilution of priorities in domestic policy. In the Soviet Union, this can already be observed in the post-Stalin period, as the collective leaders, each linked to the vested interests of a different bureaucratic arm, make high policy. In China, such dilution, should it come, is likely to have a more powerful regional component than in the Soviet Union, given the differing history, geography, and communication systems of the two countries.

(2) In China, one might well see a more dramatic change in internal policy than in the Soviet Union; notably, if the extreme strains and efforts of the first generation's industrialization program do not yield a clear-cut success. The cyclical sense of the Chinese, and their deep belief that extreme exertion may result in exhaustion, might well result in the adoption of temporizing and even passive measures at some future stage, with initiative passing for a time from Peking back to the regions, the villages, and the individual families and clans in which Chinese society is still rooted. In the Soviet Union, where the conditions for progressive economic growth have already been attained (as, indeed, they were before 1917), the form of change is likely to be a tidying-up in certain sectors, a widened scope for initiative on the part of the bureaucracies, an easing of police harshness and arbitrariness, and concessions to welfare and to the peasantry.

(3) Culturally, the foundations have already been laid for a re-emergence of a Russian society linked positively to its past. In literature, history, and even in religion, there has been the extraordinary phenomenon of a strengthening of links with the past over the last two decades. It is not now a visible possibility, but it is not inconceivable that an independent judiciary might emerge or that stillborn elements in the Soviet Constitution might be brought to life. Russia has both the tradition and the institutional framework for a curious but recognizable version of Western democratic practice. In China, a return to

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Confucianism or a revulsion from Legalism would carry with it no such clear-cut institutional shifts. As indicated above, one might see a regional and almost physical diffusion of power rather than institutional change.

(4) In foreign policy, such evolutions are likely to weaken somewhat the external aggressive drive. It is much harder to organize and plan aggression when many voices make high policy and when the command over resources is diffuse. In the case of both Soviet Russia and Communist China, however, it should be noted that the historical odds are against smooth, peaceful transition. We do not know, but we can easily suspect, the depth of resistance among elements in Moscow to even the mild post-Stalin gestures away from the old pattern. Even in Belgrade, it is clear that the break-up of the initial Stalinist pattern is a painful and precarious process; and there the roots are relatively shallow. It is altogether possible that, in the course of such a transition, internal conflict might arise. One form such conflict might take would be the emergence of a war party seeking to solve internal difficulties by reckless external adventure.

This speculative projection of the future course of the two societies is not, of course, to be read as fact. It does appear useful, however, to clarify the process whereby Communist societies change as the generations succeed one another; and especially to understand that even modern totalitarianism cannot get human beings to perform effectively without retaining and even reinforcing certain persistent national strands in the culture. In one form or another, as time goes on, and the bonds of unified command weaken, these will have their effect. By and large, authentic Russian and Chinese nationalism would be easier to live with on this planet than Communism (although not necessarily easy). The forms and areas of Soviet and Chinese Communist aggression are sometimes familiarly nationalistic, but the motivation is profoundly different.

It cannot be too strongly emphasized that the process of national erosion of Communism will not automatically work to the American advantage unless our policy places itself in a position to exploit it wisely. There is no case here for cheap optimism or American passivity. There is, in the writer's view, ground for long-run hope, if the free world, sustained by a strong and wise American policy, tenaciously holds the balance of power which is still in its hands and presents no realistic alternative to the Communist bloc except accommodation on terms compatible with the free world's interests.

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SOCIAL DEMOCRACY IN FRANCE

By CHARLES A. MICAUD

TEN years after the Liberation, the French Communist Party remains the strongest party in France. It can muster a quarter of the nation's votes and claim more "militants" than all other French parties put together. A majority of industrial workers continue to vote for the "party of the working class" even if they are reluctant to strike on its behalf. This persistent strength is both disturbing and puzzling. It is obviously a major source of weakness not only for French democracy, but for the effectiveness of the Western coalition. There is no simple explanation of the continued hold of Communism, since it is both the cause and the consequence of the many-faceted crisis of French society.

To a large extent, the strength of the French Communist Party is a measure of the weakness of its Socialist rival. There does not seem to be room for both competitors in the political arena; to one or the other must fall the spoils. In France and Italy, the Communist Party has won the battle for the conquest of the working class as conclusively and spectacularly as it has lost elsewhere in Western Europe.

It is tempting to throw the blame for Communist success in France on the inner weaknesses of the Socialist Party (SFIO) and to hold its divided leadership, doctrinaire outlook, and shifting strategy responsible for a failure that has perhaps been largely shaped by external circumstances. A reappraisal of the bases of Communist strength and Socialist weakness may lead to a more balanced evaluation of the record of the SFIO and of the conditions for a successful Social Democratic alternative to Communism.

"The Socialist Party is the master of the hour," said Léon Blum in 1945. Yet in the next few years it lost two-thirds of its membership and one-third of its votes, most of them to the Communists. The Socialist vote dropped from 24 per cent of the expressed vote in 1945 to 21 per cent in June and 18 per cent in November 1946, and to 15.6 per cent in June 1951. Party membership dwindled from a high of 350,000 in 1945 to around 110,000, a figure that has remained stable for the last three years. Some observers feared the party was moribund before its *cure d'opposition* following the elections of 1951 gave it a blood transfusion and allowed it to recoup part of its losses at the municipal

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election of 1953. Today, it appears to have almost regained the strength that it possessed in the early 1930's, before the temporary swelling of Popular Front and Liberation days.[1]

Except in the industrial departments of northern France, where the party has retained some strongholds, few workers vote the Socialist ticket. The clientele of the SFIO is heterogeneous. Public opinion polls indicate that it is followed by relatively few independent producers—industrialists, tradesmen, and peasant proprietors—and that the bulk of its support comes from salaried people, among whom industrial workers are in a minority. The SFIO is first of all a party of white-collar workers, especially *fonctionnaires*, whether active or retired. It is also a party of older people; more than one-third of its voters are over fifty years of age. The Socialist poster of a contented old couple, entitled "Vieillesse heureuse," is a fitting symbol of the main appeal of the SFIO. It is stronger in small and medium-sized towns than in large cities, and in the agricultural south than in the northern half of France. It is thus losing the character of a mass urban party.[2]

The inability of the SFIO to compete with the Communists among the working class is not a postwar phenomenon. As early as the 1920's, it was losing to the Communist Party in cities and industrial areas. It is significant that the Communist vote almost doubled between 1923 and 1936, while the Socialist vote remained stationary and the Radicals lost one-fourth of their following. The Socialists lost votes to the Communists and gained at the expense of the Radicals. The Communists were already out-voting the Socialists in the Paris suburbs and gaining strong support in other industrial areas; the main electoral strength of the SFIO came from rural regions of southern France.

Inevitably, the party was influenced by its new clientele. It was, however, the prisoner of its Marxist tenets, and of the reluctance of its militants to accept the new situation. It refused to abandon revolutionary symbols and not until 1936 did it enter a coalition government. Perhaps the main reason for this refusal was the need to compete with

[1] Among recent studies of the Socialist Party, see the informative and objective analysis of Philip Williams in *Politics in Postwar France*, London and New York, 1954; also Henry W. Ehrmann, "The Decline of the Socialist Party," in E. M. Earle, ed., *Modern France*, Princeton, N.J., 1951; E. Drexel Godfrey, Jr., *The Fate of the French Non-Communist Left*, New York, 1955; Jacques Fauvet, *Les forces politiques en France*, Paris, 1951; and Pierre Rimbert, "L'Avenir du parti socialiste," *Revue socialiste*, new series, No. 54 (February 1952). Much of the information in this paper was obtained during the summer of 1954 at the headquarters of the SFIO in Paris and through a study of the political attitudes of French workers, particularly in the Renault automobile plant.

[2] See *Sondages, Revue française de l'opinion publique*, No. 3 (1952), special issue on French political attitudes.

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the Communists for working-class support by insisting on principles that no longer corresponded to electoral realities or to the reformist outlook of the leaders. The absence of the Socialists from the determination of national policies contributed to the discredit of the regime and to the growth of the extremes. A policy that was neither effectively reformist nor genuinely revolutionary combined the disadvantages of both approaches to social change and was a major handicap to the growth of democracy.

"Every country has the Communists that it deserves," wrote the British Laborite, R. H. S. Crossman. The failure of the SFIO to hold the workers in its audience may be due more to a whole complex of external events than to the party's inner weaknesses. Two world wars, a long depression, and a painful process of reconstruction, all crowded into a short period, were bound to have effect on a society in which class and ideological cleavages ran deep, economic and social structures prevented the process of adjustment to modern conditions, and political reflexes, parties, and the machinery of government prevented dynamic and lasting leadership. Above all, the very presence of a strong Communist Party created conditions that added to its appeal.

Paradoxically, the years of apparent Socialist triumph, 1936 and 1945, were in fact disastrous ones for the party. The Popular Front gave the Communist Party a unique opportunity to gain *droit de cité*, to discredit the SFIO and, above all, to implant itself solidly in the reunified General Confederation of Labor (CGT). Communist militants and labor leaders were ready to organize the five million workers who flocked to the CGT; the old trade unionists of syndicalist training, who did not know the techniques of colonization and mass manipulation, were no match for them.

The Communists' second big opportunity came with the Resistance and Liberation. Thanks to its patriotic and democratic "aura" and its new power position, the French Communist Party (PC) could easily dislodge its rivals from key positions, particularly in the trade unions.[3] By 1946, the CGT, to which 80 per cent of the French workers belonged, was almost solidly in Communist hands; all means had been used to eliminate opposition. Once in control of the trade unions, and of many municipalities as well, the Communist Party had won its battle for the conquest of the workers. It had acquired impregnable fortresses from which it could keep its hold on French labor. The party could profit

[3] For an analysis of the French labor situation, see Val Lorwin, *The French Labor Movement*, Cambridge, Mass., 1954, and Michel Collinet, *L'Esprit du syndicalisme*, Paris, 1951, and *Essai sur la condition ouvrière*, Paris, 1952.

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from the prestige of the CGT and conveniently hide behind it while it engaged in propaganda. New opportunities were open for the recruiting and training of cadres, for building up a trusting clientele and an important source of income for the "agit-prop" machine. When *Force Ouvrière* split the CGT in 1947, it was in no position to regain the lost ground; Communist militants and funds outnumbered those of the free unions ten to one. Communist control of municipalities was another way of ensuring a safe electoral clientele. The *mairie* was the protector of the little people. It distributed money, tickets for food or clothing, organized free canteens, nurseries, summer camps, gave free legal advice. The criticism by the Socialist minority of the way the Communists were spending municipal funds left the workers indifferent; they did not pay the taxes and were not inclined to look a gift horse in the mouth.

By 1946, the SFIO had lost contact with the workers. Its major mistake had been to allow the Communist capture of the CGT. Perhaps the mistake was unavoidable, given the strong anarcho-syndicalist tradition that trade unions must be independent from politics. At any event, the Socialist Party failed to draw a lesson from the experience of Britain and Sweden, where the Labor parties derived their strength from the unions and cooperatives; it failed to appreciate the danger of separating trade union and political activities although it was faced with a competitor who had no such scruples. Divided action on the political and trade union levels made for a double impotence. It also led to the *embourgeoisement* of a party that soon lost touch with the problems and the psychology of the workers. The Communist Party knew that what mattered most was to impress the workers with the number and devotion of its militants, with whom they were in daily contact in the factory and in the neighborhood. The Socialists thought that lofty principles were bound to impose themselves. They neglected individuals and party organization.

For years, the Socialist Party has been virtually absent at the plant level. Socialist workers are often bashful about expressing their political convictions. Many who continue to believe in the myth of trade union independence are members of the CGT or, if they have joined *Force Ouvrière*, have given up political activity. It is significant that the *groupes socialistes d'entreprise*, created to rival the Communist cells, lost most of their vitality when *Force Ouvrière* was launched.

In contrast, the Communist Party is ever present. Its cells are active in recruiting members and organizing grievances. The militants have no scruples about operating both as union men and as political agitators.

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As shop stewards, they can count on a numerous clientele of fellow workers. As members of plant committees, they often control large sums of money. As union officials, they see to it that the union is geared to the needs of the party while keeping up the illusion of independence. The party can pick and choose, select the best men and train them carefully, while the free unions are often unable to find candidates for plant elections and are over-burdening their few militants with too many responsibilities.

Similarly, the massive Communist propaganda—the thousands of posters and handbills—impress the workers and make them feel that the CGT and the party are the only ones active on their behalf. This propaganda is effective; it uses simple language and simple explanations and succeeds in making its slogans penetrate. It knows how to pinpoint dissatisfaction, pick up a specific grievance and concentrate on it, unite political and trade union issues, create heroes and martyrs. Thanks to this intense and manifold activity, the party has succeeded in making the equation Party = CGT = Working Class an unfortunate reality. For most workers, there is no acceptable alternative to the "party of the working class."

Faced with this formidable opponent and lacking the means to counterattack at the plant and local level, the SFIO has had to fight a rear-guard action and has been constantly outflanked in the political field since 1946. During the tripartite coalition, the Communist Party was interested in the conquest of power, not in social reforms. It was able to discredit the Socialists, who were held responsible for the harsh realities of the reconstruction and inflation period and for the shortcomings and mistakes of a government divided against itself. The SFIO was bound to lose voters on its right whenever it relaxed its vigilance against the PC, and on its left when it appeared too friendly to the MRP.

After the Communist Party passed to the opposition in the spring of 1947, the Socialists were forced to remain in the government despite the wishes of most of their militants. In order to protect the regime against the threat of Communism, and later of Gaullism as well, the party became the prisoner of the more conservative elements in the Third Force coalition. It had to compromise with its principles and accept policies that further weakened its electoral appeal. There was no way out of the dilemma. Despite a few excesses of bad humor that led to ministerial crises, the SFIO was forced to support a government in which the key positions were held by conservatives. It had to wait for its *cure d'opposition* until the electoral system of 1951 sufficiently

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weakened the parliamentary representation of extreme left and extreme right to make a center-right coalition possible. Until then, the PC continued to profit from the *immobilisme* of succeeding governments and to direct the resentment of the workers toward the "Social-Traitors."

It is in this context that the inner weaknesses of the SFIO must be evaluated. Thus the divisions among its leaders that gave the impression of a party with a fuzzy doctrine, shifting strategy, and weak leadership were dictated by differences over electoral tactics, not over doctrine or strategy. The problem was to find the most efficient way to combat Communism. Two schools of thought stood in clear-cut opposition at the party Congress of 1946. For Blum and most of the leaders—Philip, Mayer, Le Troquer, Moch—the Socialist electoral defeat was due to past collaboration with the Communists: all-out opposition to them and an open rapprochement with the MRP were essential. Guy Mollet, the leader of the left wing, who was to replace Mayer as the general secretary of the party, explained the stand of the opposing school: "I am against all participation in a government that would permit the Communists to enter into more or less systematic opposition and thus to regain an influence that they are in the process of losing. . . . For as soon as our party loses the audience of the workers, as soon as socialism becomes compromised or discredited, it will be no longer a question of democracy or republic in our country. . . . It is the party which first must be saved." His faction felt that no collaboration with the parties of the Center should be allowed to develop and that the SFIO should participate in the government only on the basis of a program that would protect the interests of the workers.[4] These requirements reflected the Jacobin outlook of the militant, as well as the acute embarrassment of the campaigner in the working-class districts who found himself unable to explain the position of his party.

The militants, infuriated by two successive defeats, took the offensive at the Congress of 1946 and won a majority in the Executive Committee. A few months later, the party suffered further electoral losses and a majority of the militants imposed conditions upon continued participation in the government that amounted to a break with the MRP and the Radicals. But the new threat created by the RPF of de Gaulle and the new revolutionary tactics of the Communists soon persuaded even the left-wingers that the party no longer had a choice; it was in no position to leave the coalition government.

[4] *38e Congrès National SFIO, 29, 30, 31 août et 1 septembre 1946: Comptes rendus, 29 août, Paris.* See also Williams, *op.cit.*, pp. 370ff.

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The criticism that has been directed at the vagueness of the Socialists' doctrine and the divergences in interpretation does not seem justified. The very vagueness of Socialist ideals is perhaps more of an asset than a drawback. The revolutionary terminology of the party neither impresses nor discourages anyone. Léon Blum would have succeeded in replacing *lutte de classes* by *action de classes* back in 1946, if it had not been for the tactical differences already mentioned. The orthodox Marxism of Guy Mollet, the party's general secretary, does not clash with the *socialisme humaniste* of the parliamentary leaders. Both sides would agree with Jaurès that "without Socialism, democracy is imperfect, but without democracy, Socialism is powerless," and both sides have proved the sincerity of their belief that democracy comes first and that totalitarianism, not capitalism, remains the chief enemy.

In the economic and social programs of the SFIO, a growing pragmatism contrasts happily with the more doctrinaire approach of the prewar and even the immediate postwar period. The militants realize that "social justice" is conditioned by increases in production and productivity and that planning for maximum efficiency demands supple and realistic methods. At the Congress of June 1954, the speech of Albert Gazier, the unquestioned spokesman for the party on economic and social affairs, could almost have been written by Mendès-France.[5]

The two major weaknesses of the SFIO, compared with the PC, are its obvious inferiority in militants and in organization. They raise doubts as to the ability of the Socialists to compete singlehandedly with the Communists.

Compared with the large number of fanatical, disciplined, and efficient Communist cadres and militants, the Socialist militants are too few, they are not active enough and, above all, they are not workers. From twenty to thirty thousand form the backbone of the party, among whom are a large percentage of the 48,000 Socialist municipal councilors, who are under the vigilant supervision of their local sections. (On the other hand, I was told of a departmental federation with 850 Socialist municipal councilors, and only 300 party members.) Most of the delegates to party congresses are people who have the time or the facilities for travel—which, essentially, means schoolteachers and railroad employees. In fact, the SFIO could not exist without schoolteachers. They are the secretaries at all echelons, even in sections made up mainly of workers, as in the north. This situation contrasts with the

[5] See *Le Populaire*, July 14 to July 19, 1954, for the complete text of Gazier's speech.

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Communist policy of training workers for responsible positions at all levels. Given the *ouvrièriste* turn of mind of French workers, it is a grave handicap for the SFIO that the proletarians do not feel at home in the party. It has been estimated that 60 per cent of the party members are white-collar workers and only 12 per cent are industrial workers.[6] Incidentally, the relatively few workers who serve as party militants appear more active and efficient than the intellectuals; they are more determinedly anti-Communist and, paradoxically, less radical. Thus the federation of the Seine, with its large percentage of intellectuals, is continually more to the left than the powerful federations of the north, where workers are in a majority.

The SFIO has lost a large number of good militants to the Communists since 1945, and has found it difficult to replace them. One typical section, in which membership went down from 250 in 1945 to 70 in 1951, did not gain five new members in that period. Few young people are attracted by a party that lacks dynamism, and that is not sufficiently geared to recruit, and especially to train, new members. There is not a single party school, while thousands of Communist militants graduate each year from the various schools of the PC and the CGT.

A common ideology and camaraderie maintains a certain cohesion among the militants, despite their differences in occupation and social origin. They are *bon vivants*, the men of the *bistros* and the banquet, very different from their rivals, the men of the cells. The Socialist militant is an individualist, proud of his ability to think and make a choice, often opposed to his leaders; he is both self-critical and self-indulgent, doctrinaire and easy-going. He is revolutionary in principle, but cherishes security. He talks equality, but believes in freedom. He is anti-capitalist, anti-Communist, anti-clerical, and anti-militarist. He is, above all, an optimist with a deep faith in the inevitable material and moral progress of mankind.

The relatively loose organization of the party reflects the mentality of its militants. The local section is the autonomous basis of the party—made up of anywhere from four or five members to 800, as in Marseilles. It is free to establish its own internal organization and methods for implementing the decisions of the higher authorities. It can give effect to its criticism by voting a "motion" and sending delegates to the federation. In contrast to the PC, organized opposition can manifest itself freely at all levels. In principle, party discipline is maintained by allowing free deliberation, but insisting on unity of action once a

[6] Williams (*op.cit.*, p. 69) gives slightly different figures.

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decision has been reached. Every party member, from prime minister to simple militant, is under the control of his federation, which inflicts disciplinary action.

Delegates of the sections meet once a year to elect an executive committee for the federation, which groups all the sections of a department. In turn, delegates of the federation, in proportion to the number of paid-up members, are sent to the annual National Congress, which is the supreme authority of the party. Proportional representation enables minority opinions to be expressed at the Congress. In fact, every effort is made to allow the will of a changing majority of militants to prevail, even over the policies adopted by the parliamentary group. Thus, besides the annual National Congress, there is a National Council that is made up of one delegate from each federation and meets every three months, or whenever circumstances warrant an extraordinary session. Its role is to oversee and advise the *Comité Directeur*, or Executive Committee, which is elected by the Congress and, among its duties, controls the parliamentary group. Since the *Comité Directeur* is made up largely of representatives of the militants, it often clashes with the parliamentary leadership, which represents the voters and is inclined to look at policy decisions with greater restraint and realism.

The conflict between the two groups was at the bottom of the recent dispute over EDC. The issue itself was enough to arouse political passions, but the severity of the sanctions imposed against some of the opponents of EDC was unprecedented. In fact, the dispute involved a showdown between the party apparatus headed by Guy Mollet and the majority of the leaders of the parliamentary group headed by Daniel Mayer, including Moch, Lacoste, Naegelen, and Lejeune—all anti-EDC. In contrast, the brain trust of the *Comité Directeur*—Mollet, Gazier, Pineau, Laurent, Brutelle—were all pro-EDC and managed to ensure that the party Congress backed up the disciplinary measures. Only one member of the *Comité Directeur* was also a member of the anti-EDC faction in the National Assembly, the born conciliator, Edouard Depreux. The London Conference settled the issue of EDC satisfactorily and recreated Socialist unanimity behind the European policy of Mendès-France; the commitments of Great Britain pleased all except the most exalted Federalists, such as Philip and Jaquet. But the issue over effective leadership of the Executive Committee is far from settled and will remain a source of weakness. Both factions have strong arguments on their side. The parliamentary leaders feel that they should have greater freedom of action as the representatives of the voters. The leaders of the party apparatus, for their part, believe that there is a

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need for both discipline and maximum party democracy. The problem of maintaining both discipline and democracy—so neatly solved by the PC—will continue to plague the Socialists. Should democracy mean the rule of the 30,000 active militants, or the rule of the representatives of three million voters?

To counterbalance the centrifugal force of the local sections and federations and to ensure party discipline, the central organization was strengthened after the war. The able secretary general, Guy Mollet, assisted by Georges Brutelle, has kept the party apparatus well in hand. Information is distributed to federations and sections through booklets and weekly bulletins which supply the local Socialist press—read by 300,000—and the federation and section papers with good documentation, as well as articles which they can reprint in entirety. But compared with the efficient centralized machines of the PC, the Socialist Party lacks the men and material means for more effective recruiting and propaganda. Another handicap to effective action is the jealously guarded independence of the federations, and their over-wide range of activities, given the paucity of their resources. Some feel that there should be more direct liaison between the central organization in Paris and the sections. The sections would like to see their activities increased and to become the animators and controllers of para-Socialist organizations—*amicales*, sports and leisure-activity groups, especially *groupes socialistes d'entreprise* in the plants. They agree with Blum that the party should rest on the double foundation of the section and the GSE.

It seems unlikely, however, that the SFIO can regain lost ground merely through structural reforms. Past efforts to rival the Communist cells have largely failed. Para-Socialist organizations have been neglected too long to compete with the powerful mass organizations controlled by the PC. Even such a simple and necessary step as the creation of more party functionaries, to be organizers at the departmental level, is impossible because of lack of funds. The large number of "permanents" in the Communist Party and affiliated organizations is a major source of superiority.

No amount of reorganization can change substantially the character of a party that reflects the heterogeneity of its voters, the individualism of its militants, and the very values that distinguish the SFIO from the PC. Its democratic ideology prevents the "bolshevization" of the party for efficiency's sake, or the adoption of the methods of propaganda used by the PC. It is significant that since 1951 the SFIO has played the role of a responsible opposition party and has not changed the nature or tone of its propaganda in order to outdo the Communist demagoguery.

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It cannot fight the PC on its own terms: neither its ethics nor its material and human resources permit it.[7]

The problem is not a matter of pitting one working-class party against another: the SFIO alone cannot reconquer the workers. The problem is one of offering a constructive reformist alternative to the negative appeal of Communism. So far, the PC has profited from the division of its opponents, their inability to act in common and, above all, from the *immobilisme* of the government. Communism is both the cause and the consequence of the arrested process of social change. Somehow the machine has to be put back into motion.

Most of the workers who vote for the Communist Party want only to express, as spectacularly as possible, their protest against the boss, the state, the system. At the base of their protest is a deep sense of resentment and frustration, rather than specific grievances, that seems to stem mainly from their continued inability to play a political and social role of any significance. The Popular Front, and again the Liberation, raised high hopes for a more just and meaningful society. Strong resentment and a sense of futility followed when these hopes came to nothing. This led to apathy or abdication to Communism, or both.

In this respect, it is significant that at the Renault automobile plant, to take one example, where 70 per cent of the votes go to the CGT (despite relatively high wages, good working conditions, and satisfactory labor-management relations), nine-tenths of the men do not bother to pay their union dues, do not go to party or union meetings, and refuse to follow strike orders. In April 1953, only 6 per cent of the workers followed the well-advertised strike order of the CGT. Apathy goes hand in hand with sympathy for Communism. Many have come to believe that the party is right in proclaiming that there can be no improvement for the working class short of revolution. Many more, who do not even believe in the revolution to come, keep voting Communist merely to express as obviously as possible their anger and protest, not realizing that their vote prevents the enactment of reforms that would satisfy them. Their favorable reaction to the Mendès-France experiment showed clearly enough that their Communism is skin-deep.

Thus Communism can profit from the mounting sense of futility, since there seems to be no chance for political and social change. There are two ways in which it feeds on the impotence of the working class

[7] For the organization of the Communist Party, see Alain Brayance, *Anatomie du Parti Communiste français*, Paris, 1952, and C. A. Micaud, "Organization and Leadership of the French Communist Party," *World Politics*, VI, No. 3 (April 1952), pp. 318-55.

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for which it is largely responsible. On the one hand, divided and weak trade unions are no longer effective forces for collective bargaining. The growing role of the state as employer, planner, and controller of the economy has diminished the role of the unions as independent and efficient agencies for social change—especially since wages are left out of collective agreements. The division and weakness of the unions have created an imbalance of social forces to the benefit of a united and stubborn managerial group. Too often an unwritten alliance between Communism and reactionary management has succeeded in blocking progress toward higher wages and better working conditions.

On the other hand, the *immobilisme* of French politics has stood in the way of long-overdue economic and social reforms. The presence of a strong Communist Party has prevented the appearance of a democratic left-wing alternative, thus producing an imbalance of political forces that benefits the conservatives. There is no incentive for reforms, since the center-right coalition, in power since 1947, is not faced by a strong center-left opponent ready to challenge it at the polls. On the contrary, there is a strong incentive for inaction, since every government has to find the lowest possible common denominator of agreement among ill-disciplined groups divided over many issues. The systematic opposition of one hundred Communist deputies makes the shaky majority more vulnerable and invites frequent ministerial crises. These, in turn, weaken the authority of the Executive, since the brief life expectancy of each government discourages vigorous and imaginative leadership. Irresponsibility at all levels follows and, with it, strong resentment against a system that is incapable of bringing about sufficient reforms and of furnishing a sense of effective leadership. Thus Communism has succeeded in creating conditions of economic, social, and political stagnation that appear to justify its own premises—namely, that capitalism and formal democracy are incapable of improving conditions and that the rule of the decadent bourgeoisie is bound to continue until the working class and its party take over. Even before the war, France was faced with this unpleasant dilemma: effective resistance to Communism meant adopting reforms that the presence of a strong Communist Party effectively prevented.

A successful counteroffensive against Communism would seem to demand vigorous and well-coordinated action at both the trade union and the political level. Not only do the free unions need greater material resources, closer cooperation among them, and the facilities for training large numbers of cadres; a realistic redefinition of their role is urgent as well. They can no longer abide by the principle of non-political action,

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since the CGT is but an appendix of the Communist Party and since the economic role of the state has become paramount.[8] Trade union action at the plant level must somehow combine with effective political action at the national level.

The SFIO was the first party to approach the problem correctly, when it tried to revive the concept of *travaillisme* in 1953. At that time, Guy Mollet suggested a grand alliance of parties, trade unions, and cooperatives, united in dual opposition to Communism and reaction. The proposal was favorably received by the cooperatives, considered by the unions, and rejected by the parties approached. Since then, however, conditions have substantially changed and a new formula for a coalition can perhaps be found. If a number of conditions are fulfilled, this coalition may prove to be the Social Democratic alternative to Communism.

Mendès-France created the psychological shock needed to regroup the more dynamic forces against the inertia of "static France." A growing interest in economic problems—as evidenced by the vogue of the concept of productivity—and a growing pragmatism have prepared the ground. The common denominator for Mendès' "New Deal," from Socialists to Liberals, was the realization that France needs a vastly expanding economy and lower costs of production. His popularity was widespread even among industrial workers, much to the embarrassment of the Communist leadership, faced with its first real challenge; it showed that many workers were looking for some way out of the present impasse. His failure to weld a homogeneous parliamentary majority may prove to be a temporary one. His personal prestige, which has outlived his ministry, reflects the popular desire for new men, new policies and, above all, a sense of movement and dynamic leadership. With elections coming up, Mendès-France may reappear as the leader of a new left that could split existing political formations.

Besides a popular leader, other conditions will be necessary for a successful Social Democratic alternative to Communism and narrow conservatism. A clear-cut choice will have to be presented to the electorate. So far, the French party and electoral systems have not allowed for it: confusion and irresponsibility have resulted in apathy or rebellion on the part of the voters. Some Socialist leaders think in terms of a modification of the electoral system that would further

[8] The SFIO is now facing the problem of coordinating political and trade union action. See, for instance, the speech of Georges Brutelle at the Workers' Conference at Puteaux, in *Agence de Presse de la Liberté, Documentation ouvrière*, supplement to issue of June 12, 1953.

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diminish the parliamentary representation of the PC and offer the voters a clear choice. Such a system would allow a coalition of parties to hold all the seats in a department if it obtained an absolute majority. This coalition would not be a temporary and opportunistic electoral alliance, but would be based on a solemn contract with a precise minimum program for the duration of the legislature. In order to be a lasting alliance, effective sanctions at the polls must exist, which means dissolution and new elections if a party leaves the coalition or fails to respect the terms of the contract.

While it is clearly impossible to fulfill all these conditions simultaneously, the situation is not without hope. For the atmosphere in France may already have changed sufficiently to permit the adoption of some combination of the necessary measures. It would be unrealistic to expect a moderate left structure in France comparable to the British Labor Party or the Scandinavian Social Democratic parties, since such a development would fly in the face of French political tradition. But it is not too much to hope for some cohesion and sense of direction among the heterogeneous political and social groups of the moderate left. If they could present a clear, forceful, and even dramatic program, a sizable number of Communist voters might prefer to "vote useful." If the free unions could be persuaded to cooperate in educating and reassuring the workers at the plant and community level, victory would be even more likely. In due time a number of Communist militants could probably be detached. Even under present conditions, they suffer from severe strains in trying to reconcile trade union values with the political demands of the party, national patriotism with devotion to the USSR, and expectations of social progress with the improbability of their fulfillment in the blind alley of Communism.

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INDIA'S FOREIGN ECONOMIC POLICIES

By JEROME B. COHEN

WHILE the West is occupied with the cold war, an economic test is slowly shaping in Asia. Upon its outcome may depend the political beliefs and allegiance of half the world's people. The issue may be stated simply, although the forces at work are complex and intricate: Can India, with a population of 360 million, under the democratic process, with free elections and a mixed economy similar to that of many Western nations, meet the national aspirations for economic betterment and a more abundant life more fully and more rapidly than Communist China, with its totalitarian rule of 500 million people and its forced labor, forced investment, and forced production? In spite of all the propaganda about progress in Communist China, it is probable that the Indian record of actual achievement is more impressive, though less well publicized.

India's foreign economic policy is geared to its domestic economic policy; that is, it is designed primarily to aid in carrying out India's first Five-Year Plan. India's domestic economic policies are quite logically conceived in national self-interest. They are designed to carry India's drive for independence beyond the successes that have been accomplished in the political field. They are designed to break the barrier of economic stagnation and achieve a self-sustaining process of economic growth. To cap their great achievement in obtaining independence, Indian leaders are now earnestly striving to attain economic betterment. With this objective, Americans are of course in complete sympathy. If one demurs at all in the following pages, it is not with the end that India has in view, but with the effectiveness of a few aspects of the means that are being utilized.

I. The State of the Indian Economy

To better the economic lot of its poverty-ridden people, India, in 1951, instituted a Five-Year Plan with modest but realistic objectives. Part of the immediate goal of the plan, to correct the disequilibrium in the economy caused by World War II and the partition of the subcontinent into India and Pakistan, has largely been realized. India's economic situation has improved distinctly and, at the end of the first

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four years of the plan, presents a picture of added strength and stability that is satisfactory in itself and augurs well for the future.

Like most countries, India emerged from World War II with a greatly expanded money supply, substantially higher prices, and a threat of a further rise from the excess liquidity that had accumulated during the war—in other words, latent inflation.[1] When controls were relaxed in the beginning of 1948, the price level rose sharply by as much as 25 per cent within a period of nine months. The consequent disparity between internal cost and external prices resulted in a serious deterioration in the balance of payments during 1948-1949. The position corrected itself when the currency was devalued in the fall of 1949, but inflationary trends reappeared following the outbreak of the Korean War. They resulted largely from the high prices offered for export products in the international markets. In 1951, the economic climate was far from congenial. India's food problem became acute, prices were high, and raw material shortages developed. As a result, various monetary and fiscal measures were undertaken to damp down inflation. These have been remarkably effective. The piled-up latent inflation disappeared and Indian prices have been brought down and held very stable, particularly when compared with those of other countries.

During this period of relative price stability, output has expanded. The index of industrial production (1948 = 100) rose to 119 in 1952, 125 in 1953, and 147 by December 1954. Thus, under the first four years of the plan, industrial production went up by two-fifths. Agricultural output has also risen significantly—by 18 per cent since 1950-1951. This enabled India to reduce foodgrain imports to about 0.8 million tons in 1954, compared with 3.9 million in 1952 and 4.7 million in 1951. Since the money supply has remained stable, output has more than kept pace with it and this has reacted favorably on the balance of payments. Altogether, production, prices, and money supply are in better balance now than at any time since the Second World War. External factors like the decline in world prices and the strengthening of disinflationary forces abroad have contributed to this result. But domestic fiscal and monetary policies, coupled with the steady increase in domestic output over the last three years, have also played their part.[2]

Nor does success stop with production. There are a million children in new schools; an extra 13 million acres under irrigation; another

[1] See the report of an International Monetary Fund Mission to India, "Economic Development with Stability," *Staff Papers*, IMF, III, No. 3 (February 1954), p. 319.

[2] See "The Colombo Plan: The Third Annual Report of the Consultative Committee on Economic Development in South and Southeast Asia," HMSO, Cmd. 9336, Ottawa, October 1954, pp. 26-50.

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600,000 kilowatts of generating capacity. Measures against malaria have largely freed 125 million people of that disease. A start has been made on birth control and land reform. Tenants have now been protected against high rents and unreasonable evictions. The Reserve Bank has developed a technique for assisting the cooperative societies which are so important if the farmer is ever to free himself from the moneylender. The new national extension service, whose purpose is to help the villager to help himself, had reached 45 million people by mid-1954. Railway equipment has been improved and the railways can now, at most times, carry all the traffic that presents itself.[3]

However, these developments are not without drawbacks. It must be remembered that economic progress in India begins from so low a level that major gains are needed to make a real impression. Per capita income is still about $57 a year (274.5 rupees, to be exact). Life expectancy is but thirty-two years (up from twenty-seven). Savings are only 5 per cent of total national income. Private capital formation appears to be lagging. The change-over from a sellers' to a buyers' market has reacted adversely on employment in the urban centers, while in the rural areas it is estimated that some 30,000,000 landless laborers of the villages are out of work from 50 to 75 per cent of the year. Unemployment is therefore India's most serious current economic problem. The rate of investment and expenditure under the Five-Year Plan was increased to cope with the situation, but since only 40 per cent of the total planned expenditure in the public sector was incurred during the first three years, the rate will have to be stepped up in the last two years, if the planned expenditure targets are to be attained.

II. The Five-Year Plan

The Indian Planning Commission was established in March 1950. A draft outline of the first Five-Year Plan was published in July 1951. It was revised and officially adopted by the Indian Parliament in December 1952. Expenditures, however, dated from April 1, 1951, so that the plan is due to be completed by March 31, 1956. Thus four years have elapsed since the official inauguration of expenditure under the plan. It covers the entire Indian economy, including both public and private sectors. Originally, it provided for an expenditure of Rs. 20.7 billion,[4] but owing to developing unemployment in urban areas, particularly in

[3] Government of India, Planning Commission, *Five Year Plan Progress Report for 1953-54*, New Delhi, September 1954.

[4] There are 4.762 rupees to the dollar. The rupee is thus worth approximately 21 U.S. cents.

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1953-1954, it was increased to Rs. 22.49 billion (about $4.7 billion).

In September 1954, the government of India issued a progress report covering the first three years of operation under the plan. Physical achievements were impressive in terms of goals. The main difficulty appeared to be finance.[5] In the first three years of the plan, only two-fifths of the total estimated expenditure was incurred ($1.85 billion out of $4.7 billion). Domestic resources, despite windfall revenues from export duties during the Korean boom and aid from abroad amounting to almost $300 million, were insufficient to cover even the 40 per cent expended. As a result, deficit financing had to be engaged in to the extent of $238 million.

The Planning Commission blames the Indian States for much of the financial short-fall. The Central Government has done its full share and borrowings have been ahead of expectations. But the States, which were to raise $860 million from revenues in five years, have raised only $336 million in three, and one-third of that came from an increase in their share of central taxes. As the London *Economist* noted: "The one threat to Asia's most successful plan—and this includes China—is thus money. This year and next as much as £400 million [$1.12 billion] of deficit finance may be needed; and that could disturb the present stability of prices and the cost of living, now at their pre-plan level. It is therefore unfortunate that outside aid to India is this year only one-tenth as much per head as that being given to Pakistan."[6]

The targets under the plan are modest both in physical and in economic terms. In physical terms, it is estimated that the completion of the plan would result in an increased production of 10 million tons of foodgrains, 1.3 million bales of cotton, and some 2 million bales of jute, while acreage under irrigation would increase from 50 to 69.7 million. Electric generating capacity would expand from 2.3 to 3.5 million kilowatts.[7] The industrial sector would show somewhat comparable improvement.

In economic terms, the rate of net capital investment to gross product was estimated, at the outset of the planning period, to be about 5 per cent in India, compared with 18 per cent in the United States, 16 per

[5] Some observers of the Indian scene disagree, and claim that it is absorptive capacity, not finance, which is the major limiting factor in Indian economic development. While absorptive capacity is undoubtedly a limiting factor in certain fields, it is not, in the opinion of the Indian Planning Commission and of the author, a major factor retarding economic growth in India, as it is in the case of Indonesia, for example.

[6] "India Forges Ahead," *The Economist* (November 20, 1954), p. 658.

[7] Government of India, Planning Commission, *The First Five Year Plan: A Summary*, New Delhi, 1952, p. 28.

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cent in Japan, 23 per cent in Canada, and 13 per cent in the United Kingdom. Thus capital formation in India is at an extremely low level. The Planning Commission estimates that by the end of the first Five-Year Plan, national income in India will have increased by about 11 to 12 per cent and the rate of capital formation will be raised to 7 per cent. It anticipates that subsequently, if the rate of gain established in the first plan can be projected, the rate of capital formation can be raised to 11 per cent by 1960-1961 and perhaps to 20 per cent by 1967-1968, after which it will stabilize at this level. On these assumptions, it will take until 1977 to double per capita income in India—that is, to raise it from the present $53-$57 per capita to $110-$115.[8] This is not a particularly exciting rate of progress in Indian eyes, and yet even this is in balance.[9]

III. The Balance-of-payments Position

Paralleling the improvement in India's domestic economy has been a marked strengthening of its balance-of-payments position, the result in particular of the decline in the requirements for food imports.

Broadly speaking, India's foreign economic policy is geared to its domestic economic policy; that is, it is designed to aid in carrying out the Five-Year Plan. There is a tendency to plan over-all balance-of-payments deficits so as (a) to match the budget deficit, and (b) to stay within the limits set by sterling releases and foreign aid. The purpose of the former is to maintain money supply on a relatively stable level. The purpose of the latter is, of course, to prevent the balance-of-payments position from deteriorating. Since the budget deficits have been relatively limited (until the 1954-1955 budget), the balance-of-payments position has not been such as to require the drawing-down of sterling balances to the full extent of releases agreed upon by Great Britain. During the four-year period of 1950-1953, agreed-upon releases totaled Rs. 1.9 billion, while the amount drawn upon was only about Rs. 1.0 billion. Over the same period, total money supply (currency plus bank demand deposits) eased downward from Rs. 18.73 billion to Rs. 17.27 billion. Since industrial production increased by about 28 per cent during this period, a considerable degree of disinflation on the money side is indicated. Because a greater degree of deficit financing is required to carry out the last two years of the plan, the budget for 1954-1955

[8] Jerome B. Cohen, "Economic Development in India," *Political Science Quarterly*, LXVIII, No. 3 (September 1953), p. 392.

[9] "Planning and Its Promise," *Eastern Economist*, Independence Number, XXIII, No. 7 (August 13, 1954), p. 250.

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provides for deficit financing to the extent of Rs. 2.5 billion as against the total of Rs. 2.9 billion contemplated in the plan for the five-year period on the basis of the aggregate release of sterling (£35 million per year for five years). This will, of course, result in a larger balance-of-payments deficit, as both the increased spending for development and the higher level of incomes call forth larger imports. Thus Indian thinking tends to subordinate balance-of-payments considerations to the exigencies of the domestic economy.[10] This appears logical in a situation such as India's, where the domestic economic problem is urgent and where foreign trade plays a relatively minor role. It would not be logical for the British or Japanese economy.

Prior to World War II, India was a substantial debtor. Foreign liabilities amounted to approximately $4.5 billion in 1939. The excess of foreign liabilities over foreign assets gave rise to an excess of payments over receipts on investment income account. India was also heavily dependent on other countries for many services. The large earnings from other international transactions which these conditions required came from trade surpluses and, after 1932, from large exports of gold on private account.

During World War II, India was able virtually to eliminate its public indebtedness to the United Kingdom and at the same time to build up very large foreign balances, consisting mostly of sterling. Indian foreign exchange holdings rose steadily, reaching the all-time high level of £1,299.4 million (approximately $5,237 million) in April 1946. Thus India emerged from the war as a creditor nation, in the sense that its foreign assets exceeded its foreign liabilities.

The Indian balance of payments has undergone striking changes since 1939. Trade deficits have been incurred in every postwar year except 1950. In the six-year period of 1948-1953, India incurred a total trade deficit amounting to over $1.2 billion (see Table 1). This resulted, at first, from accumulated wartime shortages and inflated incomes in India. Later, the trade deficits reflected the aftermath of the post-Korean raw material boom. The high export earnings of 1950-1951 stimulated internal demand at a time when foreign demand for India's exports and the level of export prices were receding from their 1951 peaks. The trade deficits were aggravated throughout the postwar period by heavy increases in foodgrain imports above prewar levels. Attempts were made to reduce the deficits by means of import restrictions, but these were partially offset by export restrictions designed to

[10] For a more extended analysis, see A. K. Das Gupta, "India's Foreign Economic Policy," *India Quarterly*, x, No. 3 (July-September 1954), pp. 215-25.

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TABLE 1. INDIAN BALANCE OF PAYMENTS, 1948-1953
(in millions of dollars*)

	1948[1]	*1949*[1]	*1950*[1]	*1951*	*1952*	*1953*[2]	*Total*
Exports (f.o.b.)	1,320	1,165	1,168	1,574	1,363	1,115	7,704
Imports (c.i.f.)	1,492	1,801	1,103	1,811	1,559	1,189	8,955
Trade balance	—172	—636	+65	—237	—196	—74	—1,251
Investment income (net)	—54	—49	—50	—51	—23	—25	—252
Other invisibles (excluding official donations)	+146	+161	+127	+164	+198	+181	+977
Net goods and services and private donations	—80	—524	+143	—124	—21	+82	—524
Official donations	–	–	+4	+3	+25	+37	+70
Net current account	—80	—524	+147	—121	+4	+119	—454
Private capital (business and individuals)	—47	—65	—18	—5	—4	—17	—156
Long-term official capital and banking funds[3]	+24	+8	+18	+81	+111	—3	+239
Short-term foreign official and bank balances in India (net)	+36	+9	—19	+52	—82	—9	—13
IMF drawings	+69	+31	–	–	–	–	+100
Barter agreement balances (net)	—30	+28	+4	+2	—7	–	—3
Special transactions	—858[4]	—36[5]	–	—6[6]	—7[6]	–	—907
Official foreign exchange and short-term Indian bank balances abroad (increase: —)	+1,067	+504	—43	+101	+134	—60	+1,704
Net errors and omissions	—183	+45	—90	—104	—149	—31	—510

SOURCE: International Monetary Fund, *Balance of Payments Yearbooks*, and *International Financial Statistics* (June 1954), p. 194; Reserve Bank of India, *India's Balance of Payments, 1948-51*, Bombay, 1953.

* CONVERSION RATES: 1948 and first three quarters of 1949, $.30225 per rupee; first quarter of 1949 and 1950-1953, $.21 per rupee. Figures may not add up to totals, owing to rounding.

[1] Excluding transactions with Pakistan.

[2] Preliminary.

[3] Excludes Indian official holdings of long-term securities.

[4] Includes $677 million for purchase of pension annuity from the United Kingdom and $181 million toward acquisition of British military installations and supplies.

[5] To complete payment on acquisition of British military installations and supplies.

[6] Demonetized Indian currency withdrawn from Aden.

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ensure adequate domestic supplies. Moreover, import restrictions were alternately tightened and relaxed on the basis of the performance of the previous six or twelve months, so that any benefit obtained in one period was largely lost in the next.

The postwar years saw an almost complete reversal of the prewar relationship under which India's current account deficit with the sterling area was financed by surpluses with the Western Hemisphere and continental Europe.[11] Over the six-year period of 1948-1953, India earned a surplus of about $580 million in current transactions with the sterling area, but incurred a current account deficit with the United States and Canada of about $550 million and another with the rest of the world of about $485 million (see Table 2). The postwar reversal of the pattern of payments was due to war dislocations and postwar inflation in many foreign countries, which reduced the availability of exports from these countries and their competitiveness relative to comparable United States supplies, and increased the attractiveness of these countries relative to the United States as markets for Indian products. As a result, Indian imports from the United States rose more than imports from other countries, and exports to the United States were more seriously retarded than were exports to other countries. In particular, Southeast Asia rice available for export was seriously reduced and India's increased foodgrain requirements necessitated heavy purchases in the United States. Partition of India and Pakistan also helped to alter the Indian pattern of regional payments. Cotton exports to Europe and Japan from areas incorporated into Pakistan ceased to be counted as Indian exports and this contributed to the shift from a surplus to a deficit position in India's transactions with the non-dollar, non-sterling countries.

Since the spring of 1952, India's balance of payments has been steadily improving.[12] Internal inflationary forces were brought under control. Speculation in commodities, which had been widespread, was ended, and internal demand fell back to more normal levels. The domestic supply situation improved as a result of rising production. Imports declined in spite of a growing upward pressure that resulted from efforts to promote economic development. In particular, imports of foodgrains were reduced sharply in 1953 and 1954, as improved weather conditions led to greatly increased domestic crops, and imports of raw

[11] See International Monetary Fund, Asian Department, "Payments Problems of India," April 30, 1954.

[12] See Reserve Bank of India, *Report on Currency and Finance for the Year 1953-54*, Bombay, 1954, pp. 65-72.

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TABLE 2. INDIAN BALANCE OF PAYMENTS, 1948-1953, BY REGIONS
(in millions of dollars*)

	U.S., Canada, IMF, and IBRD[2]	*Sterling Area*[3]	*Rest of World*	*Total*
Exports (f.o.b.)	1,709	4,019	1,976	7,704
Imports (c.i.f.)	2,316[4]	4,232	2,407	8,955
Trade balance	−607	−213	−431	−1,251
Investment income (net)	−78	−157	−15	−252
Other invisibles (excluding official donations)	+78	+941	−42	+977
Net goods and services and private donations	−607	+571	−488	−524
Official donations	+58	+9	+3	+70
Net current account	−549	+580	−485	−454

SOURCE: International Monetary Fund, *Balance of Payments Yearbooks*, and *International Financial Statistics* (June 1954), p. 194; Reserve Bank of India, *India's Balance of Payments, 1948-51*, Bombay, 1953.

* CONVERSION RATES: 1948 and first three quarters of 1949, $.30255 per rupee; fourth quarter of 1949 and 1950-1953, $.21 per rupee.

[1] Data for 1953 are preliminary.

[2] Data for 1948 estimated as follows: Exports assumed at 72 per cent of total hard-currency exports (this compares with 69 per cent in 1949 and 75 per cent in 1950); imports assumed at 73 per cent of total hard-currency imports (this compares with 70 per cent in 1949 and 77 per cent in 1950); invisibles assumed at 90 per cent of total hard-currency invisibles (this compares with 92 per cent in 1949 and 36 per cent in 1950). Data for 1949 derived, using the actual percentages, 69 per cent for exports, 70 per cent for imports, 92 per cent for invisibles.

[3] Data for 1948, 1949, and 1950 do not include transactions with Pakistan.

[4] Includes emergency wheat imports of $190 million under the 1951 U.S. loan.

cotton fell as the previously accumulated stocks were worked off. In 1952-1953, India's balance of payments was in approximate equilibrium, and in 1953-1954 a small surplus was earned on current account.[13]

During the next few years, the Indian balance of payments may be expected to show current account deficits once more. The rising tempo of economic development is likely to lead to increased imports of developmental goods, while rising incomes associated with increased activity and the large budgetary deficits called for by the plan may result in increased imports of other goods. In addition, those imports which were comparatively low in 1953-1954, because of inventory reductions, may be expected to rise somewhat. This is particularly true of raw cotton. At the same time, exports are likely to show little over-all change so long as world economic activity remains at substantially the same level as in 1953-1954. The government of India is counting on the

[13] Reserve Bank of India, *Monthly Bulletin* (May 1954), pp. 405-25.

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anti-inflationary impact of the balance of payments to help reduce the inflationary influence of the budget and may be expected to permit the reappearance of a balance-of-payments deficit. It will seek to finance this in part by drawing down sterling balances, but foreign assistance is also likely to be necessary if the goals under the plan are to be met.

IV. Trade Patterns

The improvement in India's payments position was achieved at a rather sharply reduced level of trade. This was in keeping with the declining level of world trade, although the magnitude of the decline (2 per cent) was slight compared with the 21 per cent fall in Indian trade.

During 1953-1954, a further deterioration in the terms of trade occurred, but it amounted to only about 3 per cent, as against the 24 per cent suffered in 1952-1953. The trend may be seen in Table 3.

Table 3. Indian Terms of Trade, 1949-1954

Year	*Export Price Index*	*Import Price Index*	*Net Terms of Trade**
1949-1950	105	98	107
1950-1951	129	106	122
1951-1952	178	147	121
1952-1953	116	128	94
1953-1954	107	118	91

Source: Reserve Bank of India, *Report on Currency and Finance for the Year 1953-54*, Bombay, 1954.

* Ratio of Export Price Index to Import Price Index.

The marked narrowing of the trade deficit in 1953-1954 was the result of a larger fall in imports than in exports. There was a steep fall of over 16 per cent in export prices in general, while the volume exported showed a slight rise of about 2 per cent. In contrast, the decline in payments for imports was attributable to the fall in quantity, which was over 27 per cent; prices fell by only about 13 per cent.

Analysis by commodities shows that this decline in imports was due to a drop in imports of food, raw cotton, and jute. It is significant that the fall occurred despite the operation of a more liberal import policy. However, this policy began to have some small impact in 1954. The chief element in the decline in export earnings was jute manufactures. A similar trend was in evidence in cotton textiles, although the fall was much less. Tea, however, provided a notable exception to this general trend. Exports of this commodity rose to a new record level, owing in

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part to a natural recovery from the depressed levels of the prior year and also to an increase in demand by the United Kingdom following the abolition of sugar rationing. Jute and burlap accounted for about 25 per cent of the value of India's exports, tea for about 15 per cent, cotton textiles for about 15 per cent, and manganese, hides, and skins for about 5 per cent each. Imports consisted primarily of petroleum products, 13 per cent; raw cotton, 10 per cent; foodgrains, 10 per cent; and machinery and equipment, 15 per cent.

The world distribution of India's trade may be seen in Table 4. On the export side, the most significant change over prewar patterns has been the doubling of the percentage taken by the United States and Canada. This has come about largely at the expense of continental Europe. The United Kingdom and the rest of the sterling area continue to absorb a little more than half of India's exports, as before. On the import side, the most significant change lay in India's large postwar purchases from the United States and Canada. Such imports were reduced sharply in 1953 and 1954, as Table 4 shows, owing largely to major reductions in purchases of American wheat and raw cotton. While India's total purchases of wheat in 1953-1954 amounted to $80 million as compared with $171 million in 1952-1953, its purchases from the United States were reduced from $112 million to $28 million. In the same fashion, India's total cotton purchases declined from $161 million to $110 million, but the United States' share fell from $78 million to $6 million. On the other hand, purchases of cotton from Egypt almost doubled. It should be noted that Indian imports from the United Kingdom and the rest of the sterling area have about recovered prewar levels; that is, India purchases about half its total requirements within the sterling area.[14]

Three areas of Indian trade are of special importance: (1) India's trade with ECAFE (Economic Commission for Asia and the Far East) countries; (2) India's trade with the United States; and (3) India's trade with the Soviet bloc and Red China. Despite India's attempt to establish closer ties with other Asian countries, trade with ECAFE countries has lagged relatively behind prewar levels. In 1937-1938, India's exports to these countries constituted 24 per cent of its total exports. In 1952-1953, the percentage was 26; in 1953-1954, 22. Exports to sterling area countries in the ECAFE region showed proportionately better results than did exports to non-sterling countries of the same region, as was to be expected. Imports from ECAFE countries were,

[14] See U.S. Department of Commerce, World Trade Information Service, "Foreign Trade of India, 1952-1953," Part 3, No. 54-7, Washington, D.C., November 1954.

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TABLE 4. PERCENTAGE DISTRIBUTION OF INDIA'S TRADE, 1937-1954

	Exports						*Imports*					
					1954						*1954*	
Country	*1937*	*1951*	*1952*	*1953*	*IQ*	*IIQ*	*1937*	*1951*	*1952*	*1953*	*IQ*	*IIQ*
U.S. and Canada	11	20	22	21	19	20	8	26	38	19	12	16
Latin America	3	6	4	6	2	2	–	1	–	–	1	–
Continental EPU	18	10	9	8	9	10	17	12	11	18	20	18
Dependencies	1	1	1	1	1	1	–	–	1	2	1	1
United Kingdom	34	25	20	28	27	26	31	17	19	25	29	26
Other Sterling Area	17	28	31	25	28	28	23	25	18	24	19	26
Rest of World	16	10	12	12	13	12	21	19	13	12	18	14

SOURCE: International Monetary Fund, *International Financial Statistics* (November 1954), p. 35.

TABLE 5. INDIA'S TRADE WITH THE COMMUNIST COUNTRIES, 1951-1955
(in lakhs[a] of rupees)

	Imports				*Exports*			
				1954-55[b]				*1954-55*[b]
Country	*1951-52*	*1952-53*	*1953-54*	*(3 months)*	*1951-52*	*1952-53*	*1953-54*	*(3 months)*
U.S.S.R.	138.5	24.2	59.7	15.4	692.4	85.4	115.2	97.0
China	1,589.2	1,302.6	98.6	21.2	705.3	122.3	80.4	17.0
Poland	33.6	26.0	15.7	2.4	26.9	4.0	15.2	0.8
East Germany	6.8	9.6	8.3	7.4	2.0	2.3	1.0	0.1
Hungary	32.3	15.8	10.0	1.8	–	4.5	2.4	–
Czechoslovakia	281.5	135.1	114.4	29.8	128.5	118.0	306.3	46.0
Rumania	–	–	–	10.2	–	2.6	–	–
Bulgaria	–	–	–	–	–	0.4	0.5	–
Total	2,081.9	1,513.3	306.7	88.2	1,555.1	339.5	521.0	160.9

SOURCE: *Eastern Economist*, XXIII, No. 17 (October 22, 1954), p. 672.
[a] A lakh equals 100,000 rupees; 100 lakhs equals one crore. A crore equals 10 million rupees.
[b] The Indian fiscal year runs from April 1 through March 31.

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relatively speaking, far below prewar. In 1937-1938, India obtained 32 per cent of its imports from them. Percentages for 1952-1953 and 1953-1954 were 17 and 15, respectively.[15]

As a member of the sterling area, India imposes restrictions on trade with the dollar area. The postwar expansion of Indian trade with the United States is therefore explained largely in terms of the relative unavailability of desired goods elsewhere in the world. This is especially true of machinery and equipment imports up to 1953 and of foodgrain imports in 1951 and 1952. Of India's total imports, 27 per cent came from the United States in 1952-1953; the following year, this figure fell to 14 per cent because of the decline in foodgrain imports. Of India's total exports, 19 per cent went to the United States in 1952-1953; in 1953-1954, this dropped slightly to 17 per cent. Indian imports from the United States fell from $380.9 million in 1952-1953 to $166.4 million the following year, mainly owing to a reduction of foodgrain and raw cotton imports from $236.2 million to $42.1 million. The figures for 1953-1954 should be taken as more nearly indicative of "normal" than those for 1952-1953, owing to abnormal foodgrain imports in the earlier year. India's exports to the United States were relatively more stable, declining from $234.9 million in 1952-1953 to $188.2 million in 1953-1954.[16] Thus the drop in India's need for imported foodgrains and its decreased purchases of American cotton enabled it to turn a 1952-1953 deficit of $144 million in trade with the United States into a 1953-1954 surplus of $23.5 million.

India is the first non-Communist country to conclude trade pacts with all Communist countries, including Yugoslavia. India now has trade pacts with the USSR, Czechoslovakia, East Germany, Communist China, Poland, Hungary, Rumania, Bulgaria, and Yugoslavia—all negotiated and signed during 1953 and 1954. The Indians explain this as an extension of their neutral foreign policy. The *Eastern Economist* has declared: "Actually there is nothing other than ordinary in these events since India has been trading with the countries behind the Iron and Bamboo Curtains all along as freely as was possible, because of her neutral foreign policy. But . . . the trade that has been possible so far in spite of this freedom has been not only a negligible percentage of India's foreign trade but a declining one in the last three years. Except, perhaps, for Czechoslovakia, our trade has been fitful; as soon as the

[15] International Monetary Fund, Asian Department, "Payments Problems of the ECAFE Region," June 17, 1954.

[16] U.S. Department of Commerce, World Trade Information Service, "Trade of the United States with South, Southeast and East Asia, 1953-1954," Part 3, No. 54-7, Washington, D.C., November 1954.

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need for rice from China had diminished, imports from that country have become nominal, in spite of the two countries being the most populous in the world. Imports from the Soviet Union also have been meager and our exports, after a steep fall in the last two years 1952-54, are now showing a tendency to recover. In any case, it does not seem that the Indo-Russian Trade Agreement signed last year has served the purpose of reviving trade relations to a marked extent. It may well be that the Sino-Indian Trade Agreement will primarily become, like the Indo-Russian Agreement, 'an expression, in the economic sphere, of the friendliness' between the two countries rather than a vehicle of trade promotion."[17]

A tabulation of India's trade with Communist countries may be seen in Table 5. Indian imports from Communist countries amounted, in 1952-1953, to 2.3 per cent and, in 1953-1954, to 0.5 per cent (one-half of 1 per cent) of total Indian imports. Indian exports to the Communist bloc amounted, in 1952-1953, to 0.6 per cent and, in 1953-1954, to 0.9 per cent of India's total exports. Not only is the extent of India's trade with the Iron Curtain countries small but, so far as is known, it does not involve critical or strategic materials. Thus India observes the provision of the Battle Act and continues to receive aid from the United States. Quite clearly, just as India's survival as a free democracy depends on the military power of the West to deter Communist aggression, its trading future and the condition of its foreign commerce depend on the economic health of the free world.

V. Commercial Policy

With various modifications, the government of India has continued the exchange, import, and export controls applied during World War II and has placed an increased emphasis on protective tariffs. Indian opinion holds that exchange controls and import restrictions must be maintained in order to create an export surplus on private account adequate enough, in conjunction with sterling releases and foreign aid, to pay for the imports required by the development plan. Exchange controls may be expected to continue so long as India or the sterling area, of which it is a part, is confronted with balance-of-payments problems. India is likely to face such problems so long as it pursues a vigorous development program which provides upward pressure on imports.

[17] "Trading Behind the Curtains," *Eastern Economist*, XXIII, No. 17 (October 22, 1954), p. 672; see also Croesus, "Trade with China," *ibid.*, No. 4 (July 23, 1954), pp. 135-36.

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Indians justify discrimination against the dollar area principally on the ground of their membership in the sterling area. But Das Gupta goes further: "Apparently discrimination against the dollar area is called for in view of India's association with the sterling area. As a member of the sterling area India is committed to certain obligations. Her restrictive system is thus on the lines of the restrictive system of other members of the sterling area and is directed, among other things, towards removing the dollar gap of the area as a whole. This involves special restrictions against dollar imports. . . . But it is difficult to see how, even if she were left to herself, India could avoid being a little more cautious about dollar imports unless unlimited convertibility of sterling was assured. . . . India has had, with the exception of 1950, a persistent dollar deficit throughout the post-war period, and her drawings from the sterling area dollar pool have by now exceeded the contribution that she made to it during the war.[18] On her own account, therefore, a case could be made out for some degree of discrimination against the dollar area."[19]

Although India is committed to the gradual elimination of exchange controls by its membership in the International Monetary Fund, and to the lowering of international trade barriers by its participation in GATT, discrimination is practiced through import controls. Goods from soft-currency areas are more freely licensed than those from dollar and other hard-currency areas. Licenses to import from dollar areas are generally issued only when a product is unobtainable on comparable terms from soft-currency areas. No licenses are granted for imports from the Union of South Africa, as part of India's protest against the treatment of Indians there.

India's import policy is revised twice a year, at which time the volume of imports for which licenses are to be issued during the following six months is established. Licenses are ordinarily issued for a period of six months, although licenses for the import of capital goods may be extended to a maximum period of three years. Licenses are of two types: (1) open general licenses, and (2) individual licenses. The open general license takes the form of an announcement by the Indian government granting general permission to all persons to import particular commodities into India from specified countries. Recently, import policy

[18] According to available figures, this is not the case. In the six-year period from 1948 through 1953, India drew $200 million from the sterling area dollar pool, while she contributed about $344.6 million during the years 1939-1946. See Reserve Bank of India, *Monthly Bulletin* (May 1954), p. 302.

[19] Das Gupta, *op.cit.*, pp. 220-21.

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has been liberalized.[20] The Indian Finance Minister said that a policy of restrictionism was justified only by a chronic position of imbalance in payments, which no longer existed, and that a change was therefore called for in the direction of relaxing some of the restrictions.[21]

Export controls have been generally relaxed since 1945, but the export of a few items in short supply is still prohibited and licenses are required for a number of other exports. The primary purpose of the remaining controls is to allocate India's exports in foreign markets, particularly in the hard-currency areas, to the maximum extent possible without creating serious shortages in India. Some controlled items, such as manganese, are subject to quotas which are usually established for a six-month period.[22] Quotas may be fixed as to export destination and as to individual exporters. The purpose of destinational quotas, of course, is to ensure that the maximum exports are sent to hard-currency countries and, to a lesser extent, that countries having bilateral agreements with India get the agreed-upon quantities of particular commodities.

As in the United States, import and export duties may be levied only by the Central Government. Although the protective aspect of tariffs is assuming a growing importance, revenue has long been the major purpose of most Indian customs duties. The revenue from customs has made up between 40 and 50 per cent of the total revenues of the Central Government in recent years. Over 85 per cent of the five hundred items specified in the Import Tariff schedule are subject to revenue duties only. Although revenue rates vary considerably, the duties levied on most assessed imports range between 20 and 40 per cent. A few duties run as high as 80 to 90 per cent ad valorem. To stimulate industrial development, the import duties on some raw materials have been abolished or reduced and the duty on machinery imports has been lowered to 5 per cent.

India levies duties on exports as well as imports, mainly to counteract inflation and provide revenue. Export duties have been levied on such commodities as jute, jute manufactures, raw cotton, rice, tea, manganese ore, pepper, and iron and steel products. During the period of rising prices in 1950, several new export duties were added to the schedule and some existing ones were increased. The windfall profits resulting from rising prices became government revenue and internal prices

[20] See Government of India, Ministry of Commerce and Industry, "Import Trade Control Policy for the Licensing Period, July-December 1954," Delhi, 1954.

[21] Reserve Bank of India, *Indian News Digest*, VII, No. 160 (September 16, 1954), p. 186.

[22] See "Export Policy for Manganese and Iron Ores," *ibid.*

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were held down. As prices dropped, these duties were lowered or removed.[23]

Protective tariffs are granted only on the request of the majority of the members of an industry and after an investigation by the Indian Tariff Commission has confirmed the need for protection. Industries that are completely or largely foreign-owned appear to be granted protection on the same basis as those that are predominantly Indian-owned.

India has a tariff agreement with the United Kingdom and its colonial areas by which India and the United Kingdom grant one another preferential tariff rates on some imports.[24] Indian policy on tariff, trade, and exchange is affected by its adherence to the General Agreement on Tariff and Trade, its membership in the International Monetary Fund, and its bilateral trade agreements with a number of countries. In addition to its "imperial preference" treaties, India has Treaties of Trade and Commerce with Afghanistan and Nepal, a Treaty of Friendship and Commerce with Syria, and a Treaty of Commerce and Navigation with Thailand. Bilateral trade agreements have been concluded with thirty-odd countries. Most of these agreements are for one year, subject to renewal; hence, the countries with which agreements are currently in force vary from time to time. Most of the agreements are primarily arrangements by which the two parties specify the commodities in which they will trade and sometimes the amounts or values. The governments take no responsibility for obtaining or disposing of the commodities, but only promise to grant the necessary import or export licenses up to the amount or value specified.[25]

A Treaty of Friendship, Commerce, and Navigation with the United States has been in the process of negotiation for some years.[26] As headway is made on some issues, differences arise on others and it seems likely that if the treaty is ever signed, it will be couched in the most general terms. While negotiations and deliberations have been conducted behind closed doors and the issues have not been made public, there is considerable feeling in informed circles in the United States that India has not in the past really wished to sign such a treaty and

[23] See "Freer World Trade," *Eastern Economist*, XXIII, No. 9 (August 27, 1954), p. 355.

[24] See B. N. Ganguli, "India and the Commonwealth: Economic Relations," *India Quarterly*, X, No. 2 (April-June 1954), pp. 125-43.

[25] Subimal Mookerjee, "Trade and Payments Agreements of India," International Monetary Fund, June 21, 1954.

[26] Provisions in Articles 3 and 4 of the Treaty of Commerce and Navigation with Great Britain, signed in London on July 3, *1815*, apply to India and are in force at the present time.

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that issues have been raised more for the sake of delay than because of actual differences of opinion. It is thought that the Indian government does not wish to profess friendship for the United States publicly for fear of offending the Communist powers and also of alienating and arousing large numbers of Indians who hold to a left-wing, anti-American position. It is believed that in due course a Treaty of Friendship and Establishment may be signed, but that it is likely to be devoid of any real substance. It is difficult to understand why India has been so reluctant to sign the type of accord which the United States and other countries have found most helpful in the past.

VI. Foreign Investment

The value of all foreign investments in India was about one billion dollars in 1948. Foreign capital has been mainly British. In 1948, American investments in India, valued at about $60 million, were a very poor second to British capital.[27] U.S. *direct* investment in India rose from $27 million in 1949 to $68 million in 1953.[28] When portfolio investments are added, total U.S. investment in India today can be estimated at between $125 and $150 million. U.S. total direct and portfolio investment in 1953 has been placed at $22.2 billion; U.S. investment in India is therefore only 0.7 per cent of our total foreign investment. Why has our investment in India failed to increase more rapidly?

In the Indian view, very favorable terms have been offered to private foreign investment. Das Gupta has written: "India's attitude towards the employment of foreign capital is definite and clear-cut; there is no bar to the entry of foreign capital, except that the pattern of foreign investment is to fit in with the general plan for economic development. The attitude was made clear within a year of the country's independence, and the policy of encouraging the employment of foreign capital has since been pursued consistently. There exist no laws discriminating against foreign investment. Foreign investors of capital equally with domestic investors enjoy the various concessions that India grants to industrial undertakings with a view to stimulating production. Profits of foreign capital are subject to the same regulations as govern profits of domestic capital. At the same time foreign investors enjoy the most liberal rules in the matter of repatriation of their funds. As regards repatriation of capital there is no limitation so far as residents of the

[27] Reserve Bank of India, *Census of India's Foreign Liabilities and Assets*, Bombay, 1950, p. 120.

[28] Samuel Pizer and Frederick Cutler, "Foreign Investments and Income," *Survey of Current Business*, XXXIV, No. 11 (November 1954), pp. 6-13.

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sterling area are concerned. For residents of other countries, the same liberal rule applies to investments made after 1 January 1950 with the prior approval of the Government. These rules are specifically designed to attract foreign capital. India is in fact following an open door policy so far as the entry of foreign capital is concerned, often, as in the case of the oil companies, allowing effective control of undertakings to foreigners."[29]

In essence, these facts are correct. Inward capital movements are generally free from restrictions, except that government approval must be obtained for the use of foreign capital in new investment projects. India has not established a set of general principles governing the admission of foreign enterprises; rather, it adheres to the practice of screening the entrance of foreign investment and, after judging each case on its own merits, of establishing the terms upon which a particular investment may be admitted, if at all.

Investment is encouraged in those areas regarded as vital to India's economic development, particularly if large capital investments or advanced technical processes are involved. Especially welcome are those proposals that will result in further training of Indian businessmen, technicians, and laborers, or that will improve India's foreign exchange position. On the other hand, luxury enterprises, those which propose to develop non-essential consumers' goods, packaging, assembling, commercial or financial projects are for the most part frowned upon or rejected.[30]

In practice, the Indian government appears to have granted more favorable terms of entry to some foreign investors than its general policy statements would lead an investor to expect. As screening requires a separate negotiation with each investor, different terms of admission may result for different investors, depending on how much the government desires a particular investment at a particular time and how ably an investor presents his case.[31] The understanding reached as a result of these negotiations concerning an investor's rights, privileges, and obligations is likely to be explicit. Screening has frequently been very time-consuming, but steps are now being taken to speed it up.

While subject to some control, outward capital movement is not burdened with restrictions. There are no restrictions on the remittance

[29] Das Gupta, *op.cit.*, pp. 223-24.

[30] U.S. Department of Commerce, "Investment in India: Conditions and Outlook for United States Investors," June 1953, p. 2.

[31] For further details, see *Government Measures Affecting Investment in India*, A Handbook of Information issued by the Economic Advisor to the Government, New Delhi, 1950, 66 pp.

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of dividends and interest on shares and securities held by persons permanently residing outside India. Profits of branches or subsidiaries of foreign companies operating in India may be remitted in the currency of the country of residence of the owners on presentation to the Indian authorities of audited financial statements and proof of payment of Indian taxes. Repatriation of capital owned by residents of sterling area countries and of Norway, Denmark, and Sweden is freely allowed. Capital invested by residents of other countries in projects approved by the government after January 1, 1950, may also be repatriated freely, including, since March 1953, any capital appreciation on the original investment.

Yet, despite all this, the response has been meager. Das Gupta notes that over a period of four and a half years, ending in mid-1952, foreign capital approved in new projects amounted to only Rs. 551.7 million. If the oil refineries, which account for the abnormally large investment recorded in 1951-1952, are excluded, the aggregate foreign investment during the period amounts to only Rs. 160 million. Das Gupta's conclusion is: "If this suggests a trend, as perhaps it does, one should not count on foreign investment playing any very important role in the country's economic development." Mr. G. D. Birla, a prominent Indian industrialist, after an extensive tour of the United Kingdom, the Continent, and the United States, reported back in India that "the American investor is not likely to come in on any measurable scale. It is not only a question of the relatively low yield on investments that this country offers today vis-à-vis the U.S. and Latin America—although that is partly responsible—but one of unfamiliar habit. The American has yet to get accustomed to make investments in this country."[32]

One factor which most Indian analysts overlook in discussing deterrents to foreign investment in India is the economic and political climate. This has been perhaps the most important deterrent. The ambivalent position of the government of India—swinging first toward socialism, then away from it and, most recently, back to it; threatening to nationalize, then relenting; pushing state enterprise at the expense of private enterprise, and then entrusting private enterprise with most of the responsibility for the development of the industrial sector; passing an Industries Control Act that gives the government broad power to control and, if it so wishes, take over management of any one of the basic industries, and then using its power very sparingly—all

[32] Croesus, "India and America—A Report," *Eastern Economist*, XXIII, No. 18 (October 29, 1954), p. 714.

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these are hardly conducive to stimulating foreign investment interest in India.[33]

It seems unfortunate that a climate of hostile opinion to private investment should emerge in India, just at the stage in its history when it is better able to service foreign investment than ever before. The payments position of India on foreign investment account is now much stronger than before the war. In the fiscal year 1938-1939, total investment payments in relation to receipts from exports amounted to 20 per cent. In 1953, the comparable figure was 2.8 per cent. It is clear that net payments on foreign investment account represent a much smaller real burden than in prewar years. The great change in the foreign investment account reflects, in the main, the reduction in India's gross foreign indebtedness during the war. It provides room for the absorption of additional foreign capital. For India's sake, it is regrettable that more Indians do not realize that development with foreign capital will increase the output of the Indian economy by much more than the cost of servicing the debt. If the development is suited to the economy, this increase in output will result in an improvement in India's payments position sufficient to provide for growing import needs as well as service requirements on the foreign debt.

The Indian government's rationale for private and public investment may in the long run prove unworkable. The idea that investment should for the most part be privately stimulated but governmentally controlled may result in such regulatory restriction and ultimate nationalization that capital will simply not be forthcoming on the government's terms. It may be questioned whether the mechanism of the capital market can spark industrial development when it is subject to the control of social priorities.

The screening procedure for foreign investment, the criteria which the government uses for approval or rejection, the attempt to apply a surgeon's scalpel to the investment process, the failure to establish a firm set of rules, and the insistence on judging each case on its own merits—all these stipulations may cause foreign capital to shun India. The requirements are too doctrinaire; this is not the way foreign investment occurs.[34] India must be more sensitive to what it can get in the way of foreign investment, as well as to what it may want. Indians unfortunately think of foreign investment as exploitative; they fail to appre-

[33] For an example of current ambivalence and contradiction, see "Debate on Economic Policy in the Lok Sabha," *Indian News Digest*, VIII, No. 167 (January 1, 1955).

[34] See U.S. Department of Commerce, Office of International Trade, "Study of Factors Limiting American Private Foreign Investment, Summary of Preliminary Findings and Recommendations," Washington, D.C., July 1953.

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ciate its potentialities for productive growth and expansion. Foreign investment usually comes as a package, if it comes at all, and some of the things which India does not want can be regarded as the "loss leaders" of investment in a market economy. It is questionable whether a country that wants any substantial volume of foreign capital can predetermine the areas into which capital will be permitted to flow. International capital is not going to accept stern dictation when a more congenial atmosphere is available elsewhere.

VII. Foreign Aid

Indian capacity for self-delusion at times borders on the fantastic. Witness the recent statement in the *Eastern Economist*: "India's spectacular economic progress has . . . been achieved without any foreign capital and, by and large, without any foreign technical skill."[35]

In view of the fact that the United States government has made available to India close to $500,000,000 since 1950 (see Table 6) and has sent literally hundreds of technicians to aid in Indian economic development, one can only wonder at the process of self-deception that produces such a statement. Yet it may be recalled that, in 1950, Indian opinion was critical of the United States for not having extended aid. Then, when assistance programs were being developed, widespread apprehension was voiced in India about the purposes of the aid. Would "strings" be attached? Did the aid not have a political purpose? Left-wing Indians held that "strengthening democracies to withstand Communism" was reprehensible as an objective, and the United States was criticized for lack of any explicit statement that the aid was being extended because of the inherent worthiness of the Indian situation. In a speech in New York some months ago, the Indian Finance Minister, Mr. Chintaman Deshmukh, said that aid should be offered "without any ulterior purpose or ultimate reward other than the building of stable, democratic societies."

There have been constant references to "aid without strings" in Indian utterances. The United States is constantly warned that it must not impose conditions. One fails, however, to find any definition of what constitutes a "string" or a "condition." That aid should be used to build a strong, free society is not challenged. If by "strings" are meant specific political commitments, it is hard to see why there has been such strong and unending protest in India, since, in the final analysis, the United States has not asked for any commitments. If by "strings" is

[35] "The Colombo Plan: An Indian Critique," *Eastern Economist*, XXIII, No. 16 (October 15, 1954), p. 614.

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TABLE 6. U.S. GOVERNMENT AID TO INDIA, FISCAL YEARS 1950-1955
(in thousands of dollars[1])

Fiscal Year	*Total All Aid*	*Technical Assistance*	*Economic Aid*	*Special Assistance for Coarse Grain Purchases (Millet)*	*Wheat Loan*	*P.L. 480 Wheat Loan Interest*[2]	*Fulbright and Smith-Mundt Programs*	*Flood Relief*	*Freight on Voluntary Relief Shipments*
1950	10,690	—	—	10,500	—	—	190	—	—
1951	1,402	652	—	—	—	—	750	—	—
1952	243,198	52,707	—	—	189,751	—	640	—	100
1953	44,908	44,098	—	—	—	150	510	—	150
1954	88,782	26,982	60,500	—	—	240	720	—	340
1955	77,383	15,168[3]	60,500[3]	—	—	1,000[3]	580[3]	135	N.A.[4]

SOURCE: Foreign Operations Administration, December 16, 1954.
[1] Funds obligated unless otherwise indicated.
[2] For university rehabilitation.
[3] Available for obligation.
[4] Not available.

meant the moral relationship between grantee and grantor of aid, this raises fundamental questions as to whether any foreign aid can be offered or accepted. Certainly, the bilateral aid arrangement which India has with Nepal has far more strings than any of the U.S.-Indian aid agreements.

In addition to the $466 million made available to India thus far by the United States, $68 million has been made available under the Colombo Plan, the International Bank has authorized seven loans totaling $139.7 million, small sums have been granted by the Ford Foundation and the Norwegian government, and sterling releases have exceeded $644 million.[36] Yet, despite the availability of such large external resources, India faces great financial difficulty in carrying out the Five-Year Plan. The Indian Finance Minister has stated that India would be fortunate if the plan were carried out to the extent of 85 per cent. The latest estimate of the Reserve Bank of India indicates that the gap between the proposed expenditures under the plan (Rs. 22.4 billion) and the total of internal and external resources available (Rs. 13.5 billion) amounts to Rs. 8.9 billion ($1,869 million).[37] If the plan is to be completed and its modest economic objectives achieved, the gap must be bridged either by additional foreign aid or by greater deficit financing, or by a combination of both. The Indian government budget deficit for 1954-1955 amounted to Rs. 2.5 billion, while a deficit of Rs. 4.0 billion is contemplated for 1955-1956.[38] Even with these mounting deficits, the plan cannot be carried to completion without additional foreign assistance. Thus, despite the lack of gratitude on the part of some Indians, it appears to be in the broad interest of the United States to grant additional aid out of friendship for the Indian people and in order to demonstrate that economic development under the democratic process is more effective than under a Communist dictatorship. By means of a combination of additional deficit financing, fuller use of sterling releases, and expanded foreign aid, the targets in India's plan can be attained.

[36] The Indians, quite rightly, do not regard the sterling releases as external assistance, since they are payments (blocked) for services rendered by Indians to the British during World War II. Sterling balances, which reached a peak of £1,299.4 million ($5,237 million) in April 1946, had by March 31, 1954, been reduced to £565 million ($1,582 million). Under the agreement with the British, whereby £35 million ($98 million) is released annually, the Indians are pledged to maintain a minimum sterling balance of £310 million ($868 million). At this level, India's gold and foreign exchange holdings would approximate 40 per cent of the currency circulation, the minimum prescribed by the Reserve Bank of India Act.

[37] Reserve Bank of India, *Report on Currency and Finance, op.cit.*, p. 46.

[38] Government of India, "Budget of the Central Government for 1954-55," as laid before Parliament, New Delhi, February 27, 1954.

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VIII. Conclusions

During the fiscal year 1953-1954, expansionary pressures in India stemming from a budget deficit and a balance-of-payments surplus were offset by expanding production and the anti-inflationary policy of the Reserve Bank. Rising urban unemployment had a deflationary impact. Internal financial stability was maintained. Exports increased somewhat, and imports fell off significantly. In the fiscal year 1954-1955, exports remained stable, but imports expanded somewhat. Large deficit financing is being offset by a small balance-of-payments deficit, expanding output, continued urban unemployment, and the anti-inflationary policies of the Reserve Bank. Thus far, the money supply has expanded slightly, but prices have fallen a bit. Clearly, the inflationary pressure of greater deficit financing has as yet had no impact and stability has been maintained.

It is nevertheless clear that a general rise in production and incomes in India will require a larger aggregate volume of imports. The balance of payments on current account is therefore likely to show a deficit over the next few years, with trade deficits partly offset by invisible earnings. Foreign aid can be of great assistance in helping India to carry out its plan and thus achieve economic development with stability. The United States, therefore, would do well to continue its aid program. As the International Monetary Fund Mission to India noted: "The Five Year Plan is so essential to the well-being of the people of India that it should be possible to find an agreed basis for additional foreign aid to India. To the extent that such aid is available on a grant basis, the strain on the Indian economy will be reduced. Income levels are so low and domestic savings so limited that repayment of credits would necessarily slow down the rate at which consumption standards can rise and development be accelerated in the future."[39]

However, since foreign aid cannot be expected to continue indefinitely, and since India's foreign exchange reserves are not inexhaustible —India's sterling balances will soon be close to the level considered as the necessary minimum for monetary reserves—dependence on borrowing from the International Bank and other sources and/or an inflow of foreign equity capital will increase. Since there has been a net outflow of private capital from India in recent years, owing to alarm at what is regarded as a hostile climate for private enterprise, high Indian officials might be better advised to cease voicing threats which create an atmosphere of uncertainty. Nationalizing an industry a year and

[39] International Monetary Fund Mission to India, *op.cit.*, p. 383.

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delivering speeches about India's ultimate emergence as a socialist state are hardly conducive to the inflow of foreign lending and foreign investment which India needs to enhance or replace foreign aid. If these external resources are not forthcoming, more severe import controls will be needed to hold the foreign exchange deficit within available exchange resources. This will compel India to curtail imports of consumers' and developmental goods, thus creating internal inflationary pressures and retarding economic development.

Unless its foreign economic policies are managed effectively, India's economic development may be retarded to the point where it falls behind a rising population. Internal resources alone will not provide an adequate rate of development.[40] Thus domestic factors which affect its external economic relations, as well as the foreign economic policies which it pursues, are vital to India's economic growth and stability. The interest of the United States in India's survival as a stable democracy, its desire to see the position of the Indian people improved, and its hope that India, in freedom, will win the great economic contest in Asia must inevitably transcend all small disagreements, temporary petulance, ingratitude, and rebuffs. As was written twenty-two centuries ago in the Mahabharata, "This is the sum of all true righteousness: deal with others as thou wouldst thyself be dealt with. Do nothing to thy neighbor which thou wouldst not have him do to thee hereafter."

[40] See J. Tinbergen, "Capital Formation and the Five Year Plan," *Indian Economic Journal*, I, No. 1 (July 1953), pp. 1-5.

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CIVIL-NAVAL POLITICS IN WORLD WAR I*

By WARNER R. SCHILLING

THE determination of military policy can be generally conceived as a matter of answering, in order, two questions: for what purposes is military power required, and how much is required? Unfortunately, these questions are more easily asked than answered. The first—military power for what and against whom?—is complicated by the fact that the government is usually confronted with a variety of foreign policy contingencies, many of which seem to call for different kinds of military establishments. The second question—how much military power?—is complicated by the fact that the government must usually allocate its resources among many national values, of which military security is only one. These complicating factors, one a condition of international politics and the other a condition of domestic politics, appear to be as inescapable as the two questions themselves. Consequently, some insight into present and future problems of civil-military relations may be gained by examining the influence of these conditions in the past.

During World War I, the civil and naval officials of the Wilson Administration frequently differed in their answers to these two crucial questions. In addition to relating these differences to the above conditions, this article will outline the interests and perspectives which gave body to the disputes and some of the means used to resolve them. Although these interests, perspectives, and means are not as immutable as the questions and the conditions under which they must be answered, they are not so unfamiliar as to be only of historical curiosity.

I. The Purpose of Power

One of the more sophisticated expressions of the perspective of naval officers on the question of power for what and against whom was a letter sent to the Acting Secretary of State on May 1, 1919. This letter was signed by Franklin Roosevelt, the Acting Secretary of the Navy, but was written, in all probability, by Captain Harry E. Yarnell, liaison

* Parts of this article are drawn from my doctoral dissertation, "Admirals and Foreign Policy, 1913-1919," written at Yale University in 1953. I would like to thank the Center of International Studies at Princeton University for the opportunity to do additional research on this subject and for the time to compose these present thoughts.

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officer for the State Department.[1] The letter asserted that although "it is a fundamental principle that foreign policy in our government is in the hands of the State Department," it is also a fact that foreign policy "depends for the acceptance by other nations upon the naval and military force that is behind it." Some policies are "of such importance to our national interests that they must be defended at all costs," but others are not, "by the expense that would entail, justified if they lead to war. Hence it is submitted that in the framing of our policies, it is necessary for the State Department to know how much they will cost to maintain by force, in order to assign them their relative importance. Conversely, it is necessary for the Navy Department to know what policies it may be called upon to uphold by force, in order to formulate plans and building programs."

The naval officers responsible for the drafting of war plans and building programs had long been impressed with the desirability of relating their decisions to the foreign policies of the nation. The Roosevelt letter followed closely the lines of a memorandum submitted to him by two officers on the General Board sometime during the period of American neutrality.[2] Appended to the letter itself was a detailed outline of an interdepartmental organization for the formulation and execution of national security policies that had been designed at the Naval War College in 1912 by Commander Frank H. Schofield. During the years 1912-1916, a number of articles arguing the need for a Council of National Defense were written by naval officers on the staff of the War College. They proposed a Council which would include representatives of the relevant Congressional committees and the armed services, as well as the President and the Secretaries of State, Navy, and War. The perspective of these articles was that "the problem of national defense is at its base one of stupendous cooperation of all forces in the state—naval, military, diplomatic, financial, industrial, political, and moral."[3] "Policy" was in the hands of the President; "strategy" in the hands of the armed services; and the ability to provide the "means" in the hands of Congress. Clearly, then, there was a need for "*some governmental organization* to bring policy, plans, and means into harmonious cooperation toward the common objective—the purpose of policy."[4] It is

[1] National Archives, State Dept., 110.7/56. However, Admiral Yarnell now has no recollection of this letter (personal communication).

[2] Memorandum, n.d., by Capts. H. S. Knapp and J. H. Oliver, Franklin D. Roosevelt Library, 10:143. The General Board was organized in 1900 and until 1917 was the only planning body in the Department.

[3] Cdr. D. W. Knox, "The General Problem of Naval Warfare," *Proceedings of the United States Naval Institute*, XLII, No. 1 (January-February 1916), p. 26.

[4] Capt. J. S. McKean, "War and Policy," *ibid.*, XL, No. 1 (January 1914), pp. 8-9.

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important to recognize that in these letters, memoranda, and articles naval officers placed major emphasis on their need to know just what policies they might be required to support with armed force. Their responsibility for planning and maintaining an efficient naval establishment gave them a definite interest in having the purposes for which force would be required specified in advance of the time of actual deployment.

President Wilson and his Secretary of the Navy, Josephus Daniels, did not share the enthusiasm of their naval officers for a special organization designed to coordinate foreign and military policy. Daniels expressed his preference for the existing relationships among the President, the Secretary, the General Board, and Congress. Speaking of the proposed Council of National Defense, he declared that the inclusion of members of Congress would violate the principle of the separation of powers and warned that the Council might have "such a moral force that no member of Congress would go against it." He concluded, "If you ever get a board or commission in this country which can determine the naval policy, independent of Congress, you will have an autocracy and militarism that is dangerous. [Applause.]"[5] Wilson visualized the relationship of a service chief to national policy in these terms: "He has nothing to do with the formulation of [national] policy. . . . So with every man in arms who serves the Nation; he stands and waits to do the thing which the nation desires."[6]

Following the outbreak of the war in Europe, a State-Navy Board was formed for the purpose of examining the acts of belligerents and neutrals in the light of international law, and after the United States entered the war the number of naval officers available for planning duty expanded to the point where one could be assigned the duty of "digging out" information from the State Department.[7] But these contacts did not supply naval planners with answers to the major foreign policy questions. Nor did the State Department indicate any interest in such

[5] House Naval Affairs Committee, *Hearings on Estimates Submitted by the Secretary of the Navy, 1914,* Washington, D.C., GPO, 1915, pp. 594-98; cited hereafter as *Hearings.* The Council of National Defense established in 1916 was designed to advise on industrial mobilization. There were no members from the armed services, the State Department, or Congress.

[6] "The Ideals of the Navy," May 17, 1915, in R. S. Baker and W. E. Dodd, *The Public Papers of Woodrow Wilson: The New Democracy,* New York, 1926, I, p. 331.

[7] Letter, n.d., Capt. W. V. Pratt (Asst. CNO) to F. L. Polk (Counselor of the State Department), Polk Papers, Yale University. Pratt noted that "a closer relationship may be built up if you had a similar man" and that he had protested the forthcoming move of the Navy Department from the State-Army-Navy Building because it would bring about "an additional physical separation."

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a discussion. Roosevelt's letter of May 1919 was filed without an answer.[8] The perspective of responsible civilians in the Wilson Administration on the problem of relating naval policy to foreign policy was best expressed by Secretary Daniels in an address to the Naval War College, in which he said: "In maintaining the Navy . . . we must keep it always at the maximum efficiency for service. It must ever be in a position to re-echo the splendid words of Admiral Badger when ordered to Vera Cruz: 'We do not know what we will be called upon to do, but we are ready.' "[9]

The success of the operations against Mexico notwithstanding, Daniels' audience remained of the opinion that the efficiency of a naval establishment might well depend upon the kind of service it would be called upon to perform. Accordingly, naval planners responded to the absence of foreign policy guidance not by abandoning the question of power for what and against whom, but with the expedient of answering this question themselves. Throughout the years 1914-1919, the war plans and building programs of the General Board were premised on its own estimate of the character of international relations and the future course of American and foreign diplomacy.

After 1917, the General Board's research in foreign relations was, if anything, overshadowed by the comprehensive and rigorous excursions into the nature of world politics conducted by the planning groups attached to the Office of Naval Operations.[10] Aside from their influence on policy, these analyses are important as testimonials to the strength of the naval interest in basing plans and programs on specific foreign policy contingencies. Naval planners were quite conscious of what they were doing and why. Captain Yarnell, a member of the Washington Planning Committee, told his Army colleagues that, although "according to theory" they were "supposed to be informed by the State Department" on such matters, "I doubt very much whether with our form of Government such will ever be the case, and the Army and Navy must,

[8] In December 1921, the Secretaries for Navy and War asked the Secretary of State to assign an official to sit with the Joint Army-Navy Board when "matters affecting national policy" were under consultation. The Secretary of State replied that only the Secretary and Under Secretary could speak "with authority on questions of national policy," and added that "it is impossible, in the existing circumstances, for either of them to undertake this additional duty. Should a crisis arise in our national affairs where it may seem to this Department advisable to consult and cooperate . . . I shall cordially avail myself of the opportunity to do so." National Archives, Navy Dept., RG80:202-4.

[9] June 26, 1915, Daniels Papers, Library of Congress, 412-15.

[10] The Office of Naval Operations was formed in 1915 and was assigned one officer (Commander Schofield) for war plans in 1916. After 1917, the number of planning officers in Opnav multiplied. Most of them were sent to London in December 1917. After July 1918, there were two planning groups in Opnav: the Washington Planning Committee and the London Planning Section (later the Naval Advisory Staff, Paris).

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from their studies of our own foreign policies and those of other nations, make an estimate of our probable enemies and the character that the war will assume."[11] Captain Schofield, head of the London and Paris planning groups, phrased it similarly: "The mission of our Navy is to support American national policies and American interests in peace and war. . . . What are our national policies? There is not available any official statement of the national external policies. . . . It has therefore been necessary for the Navy to make its own estimate of national policies and revise these as events justified."[12]

One of the consequences of leaving naval planners to make their own assumptions about American foreign policy was that on the courses they followed in search of national security the President and his naval officers often passed each other like ships in the night. After the United States entered the war, American naval strategy was primarily determined by the answers given to two questions: the proportion in which existing destroyers should be allocated between home waters and European waters; and the extent to which ship-building resources committed to capital-ship construction should be diverted to the building of destroyers and merchant ships. In both instances, the allocation of resources advocated by naval planners was based on foreign policy premises which were in part neither understood by the President nor consistent with his own thinking. Similarly, Wilson's final decisions were in part based on propositions about the relative capabilities of warships which would have been violently disputed by naval officers had they known about them. The time consumed in the making of these decisions was later the concern of a Senate investigating committee, but the testimony failed to focus on the foreign policy considerations which were at the root of the matter.

Another subject which occupied the attention of the Senate investigation in 1920 was the question of why the Navy had not been better prepared for a campaign against Germany's submarines. When Wilson, in July 1915, decided that the national security required a large increase in naval power, it was in the hope that such power would contribute to the solution of a number of possible diplomatic problems. Among the problems foremost in his mind were those of deterring a German challenge to his neutrality policy, coping with Germany in the event

[11] Lecture to Army General Staff College, "Strategy of the Pacific," September 8, 1919, National Archives, Navy Dept., RG80:115-2.

[12] Lecture to Naval War College, "The General Board and the Building Programs," October 14, 1922, *ibid.*, RG45:580. Captain Schofield was then a member of the General Board. The author is authoritatively informed that the Navy was still performing this exercise in 1935.

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that nation defeated the Allies, and defeating Germany in the event the United States joined the Allies. It is unlikely that Wilson gave any thought to the possibility that certain types of warships might be better suited to one contingency than another. In any event, his instructions to Daniels, which the Secretary in turn gave to the General Board, did not reveal the contingencies he had in mind. The building program advised by the General Board was designed to prepare the United States for certain postwar contingencies which the Board itself anticipated. Neither the Board's reading of Administration policy nor its own views on world politics led it to give serious thought to other contingencies. As the Board's representative, Admiral Charles J. Badger, later testified: ". . . when that opportunity came, through the suggestion of the Secretary of the Navy . . . to bring our Navy to where it ought to be in our opinion, we seized that with avidity and put in that program."[13]

The General Board's program was based on the construction of sixteen capital ships. It was substantially endorsed by Wilson and authorized by Congress in August 1916. Four days after America entered the war, Daniels wrote in his diary: "O for more destroyers! I wish I could trade the money in dreadnoughts for destroyers already built."[14] Later, during the course of the 1920 investigation, Daniels reminded himself that no one had suggested to him the alternative of building three hundred destroyers instead of capital ships. Admiral William S. Benson, the Chief of Naval Operations during 1915-1919, testified that the Chief should have the privilege of direct access to the President in order to ensure that he was "kept fully informed of the foreign policies of the administration that would involve the preparation of the fleet. . . . He could hardly be held responsible unless he was fully informed."[15]

Wilson must share with Daniels the responsibility for the information gap between the President and naval planners. Unlike Colonel House, Daniels was not privy to the President's thought on foreign policy. The wartime capital-ship question was the subject of confidential negotiations between the President and the British War Cabinet. These negotiations bore directly on the foreign policy considerations relevant to naval thinking, but Secretary Daniels was not informed about them until after the Department's decision had been made. Daniels did bring all major naval policies to the President for final decision. If he does

[13] *Naval Investigation*, Hearings Before the Sub-committee of the Senate Committee on Naval Affairs, Washington, D.C., GPO, 1921, p. 1176.
[14] April 11, 1917, Daniels Papers, Library of Congress.
[15] Personal memorandum, n.d., *ibid.*, 256; and *Naval Investigation*, p. 1968.

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not seem to have alerted the President to the possibility of relating naval alternatives to foreign policy objectives, it is also evident that Wilson was not receptive to the opportunity for such exercises. When the naval program of 1915 was under consideration, Daniels urged Wilson to discuss the program with Admiral Benson and gave the President a memorandum by Benson which pointed to the kind of contingency for which the General Board was planning. Wilson chose not to see the Admiral.[16] It is clear, then, that an organization designed to ensure routine communication between naval planners and the civilian makers of foreign policy could have at least brought to light their differing political premises and might well have militated against such differences, with a consequent advance toward the goal of coordinated policy.

The phenomena resulting from the perspectives of Wilson and Daniels and the absence of a special organization should not be allowed to obscure the fact that the provision of civilian answers to the naval question of power for what and against whom was not simply a problem in communication. One difficulty was that civilian policy-makers could not produce the kind of answers naval planners wanted. As Commander Dudley W. Knox stated: "From the point of view of naval and military officers, and in the opinion of the greatest authorities on war, it is fundamental that war should not be undertaken except in furtherance of specific policies clearly defined in advance; that adequate preparation for the maintenance of those policies should be made before war comes; that the responsible naval and military officials be thoroughly acquainted with the policies at issue; and that in the prosecution of the hostile campaign the strategy adopted by the armed forces shall conform rigidly to such policies, as interpreted for them by the diplomatic department of the government."[17]

It is not, perhaps, peculiar to the Wilson Administration that it was incapable of providing such guidance. The future course of American foreign policy was never as clear in the minds of those who made it as it was in the analyses of naval officers. A comparison of naval views on foreign policy with those expressed by Wilson, House, Lansing, and Daniels suggests a number of contrasts which bear on this discrepancy: (1) uniformity vs. diversity (there was a greater consensus of opinion among naval officers); (2) simplicity vs. complexity (the naval image contained fewer variables); (3) consistency vs. contradiction (naval officers entertained fewer contradictory propositions and their policies

[16] Letter, Daniels to Wilson, August 20, 1915; Wilson Date Book, Wilson Papers, Library of Congress.

[17] Knox, *op.cit.*, pp. 27-28. Formerly on the staff of the War College, then in the ONI, Commander Knox was later a member of the London Planning Section.

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followed more logically from their political premises); and (4) rigidity vs. flexibility (there was less change in the naval image over time). Since naval analyses had as their purpose the provision of clear-cut conclusions about the course of American foreign policy, it no doubt facilitated their decision-making—in the short run, at least—to think about world politics in common, simple, consistent, and stable terms and propositions. But the politicians who were preoccupied from day to day with the actual making of policy had, perhaps, a need for a greater variety of intellectual baggage, if only to avoid the embarrassment of a want of ideas with which to explain the sequence of events to themselves and others.[18]

Much of the guidance desired by naval officers was simply beyond the predictive powers of policy-makers. But there were also occasions when civilians deliberately avoided the definition of future policy, to the consequent frustration of naval officers. During the armistice and peace negotiations, when Admiral Benson had an opportunity to participate directly in the making of foreign policy, there was a discernible contrast between the civil and naval approaches to peace-making. Once a conflict was anticipated or a dispute opened among the Big Three, Benson and his Paris staff were quick to explicate and accent the points at issue and to press for consequential action. This "decisive" approach was in keeping with the tidy clarity of the naval image of international relations and the naval interest in having the uncertainties of the future narrowed by commitments in the present. But Wilson and House were inclined to postpone coming to grips with the Anglo-American differences which were of greatest concern to the Naval Advisory Staff and to avoid decisions which might rush events and close off possible alternatives. Their more "dilatory" approach was consistent with their more complicated image of international relations and with their interest as policy-makers in meeting the complexities of the day with policies adaptable to the uncertainties of the morrow. It was this interest which made the naval question of power for what and against whom more than a problem in communication so far as civilian policy-makers were concerned. For as events at the Peace Conference demonstrated, the naval interest in knowing what policies they might be obliged to back by force could easily take the form of pressure on civilians to define their policies and act accordingly. And if the history of civil-naval

[18] Aside from the hypothesis that these contrasts between naval and civilian views reflected the intellectual needs of the two groups, a supplementary explanation can be offered. Civilian views are recorded in diaries, letters, speeches and, occasionally, memoranda. Nearly all naval views are recorded in formal memoranda. Expository writing can be a powerful stimulus to the characteristics ascribed to naval views.

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relations during World War I illustrates the naval consequences of civilian indifference to the naval need for policy guidance, it also stimulates speculation about the possible diplomatic consequences if civilians had yielded to the naval pressure to commit themselves with respect to certain differences with Great Britain at the Peace Conference.

The indifference shown by Wilson and Daniels to the naval interest in relating their plans and programs to national policies was based on more than just an unrealistic perspective on the coordination of military and foreign policy. The civilian perspective—a little preparation for everything—reflected a real interest. The knowledge of civilian policy-makers that they were faced with a multiplicity of future contingencies gave them an interest in combinations of naval units which would have the broadest range of utility.[19] But the knowledge of naval officers that the relative efficiency of combinations of naval units would depend upon the actual contingency which such units were called upon to meet gave naval planners an interest in having this contingency specified in advance. Here, then, was an area of possible conflict that could not be bridged by organizational reform. Suppose that Admiral Benson *had* confronted Wilson in the fall of 1915 with the observation that there were naval alternatives (destroyers or battleships) which were better suited to one contingency (joining the Allies) than another (standing alone against a hostile and victorious Germany). The President might have decided to try to preserve his freedom of action by attempting to press both programs upon Congress. However, Benson and the General Board would never have willingly sacrificed preparation to go it alone in favor of preparation to join the Allies, so long as Wilson could not guarantee against the former prospect. In fact, after the United States entered the war, they were unwilling to make the sacrifice in favor of the coalition's war effort. Confronted by uncertainty, naval planners chose to prepare for the worst conceivable contingency. A conference between the President and the Chief of Naval Operations might have brought forth a "compromise program," but the catalytic agent would have been power, not consultation.

[19] Daniels was once asked if it was not necessary to know the expected enemy in order to devise a proper building program. He replied: "I do not think that we should consider war with any particular country. I think we ought not to prepare against any country; that we ought to prepare for our defense from whatever quarter war may come." *Hearings* [1914 Estimates], p. 648.

It should be remembered that in 1914 there were three quarters from which war could come. In 1954, the proposition could read: prepare for whatever kind of war may come.

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II. The Problem of Quantity

The reference to preparation for the worst conceivable contingency properly introduces a discussion of civil-naval interests and perspectives with respect to the question of how much military power was required. The answers given by naval planners were directly related to the problems encountered with respect to the question of the purposes of military power. As has been indicated, the guidance provided by the Wilson Administration fell far short of the naval ideal of preparing for the support of "specific policies clearly defined in advance." Even the Navy's own research into the course of American foreign relations, its simplicity notwithstanding, revealed that the number of likely contingencies was greater than one. When faced with a variety of possibilities, their sense of responsibility led naval officers to base their plans on the "worst"—that contingency which would call for the largest naval establishment. Moreover, since naval planners knew of no calculus by which probabilities of occurrence could be safely related to proportionate quantities of preparation, a conceivable contingency was one to be prepared for in full measure. When the London Planning Section was asked, in May 1918, to estimate the Navy's postwar building needs, the Section dismissed a number of possible outcomes of the war with the observation that "we cannot count on any of these possibilities becoming established facts." The Section concluded that the United States could not assume it had a "due degree of security" until it was "prepared to fight at sea the German, Austrian and Japanese Navies simultaneously."[20] In June, the Assistant Chief of Naval Operations measured American needs "against all possible contingencies."[21]

In formulating such building programs, naval officers had few inhibitions against treating possibilities as if they were certainties. In their professional capacity, they were concerned exclusively with the ability of the United States to maintain or obtain its interests against the opposition of foreign Powers, and especially with the contribution that naval power could make to that ability.[22] Since naval plans were made with reference to only one value, security, there were no costs to security so far as naval planners were concerned. Consequently, their demands were limited only by the nature of the security contingencies derived from their foreign policy analyses and by their conception of the

[20] Memorandum 21, National Archives, Navy Dept., RG45:580.

[21] These were a war against Great Britain or against a German-Japanese-Austrian-Turkish-Russian combination. Memorandum to CNO, *ibid.*, RG80:137-1.

[22] This conception of "security" is paraphrased from Bernard Brodie, "Strategy as a Science," *World Politics*, I, No. 4 (July 1949), p. 477.

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physical resources available. Admitting that he viewed the problem solely from "a military viewpoint," a representative of the General Board told the House Naval Affairs Committee that "the limit is when we are safe." If international naval building continued to increase, "the poorer nation will eventually exhaust itself," Admiral Charles E. Vreeland explained, and "because of our resources we will arrive at a stage where we can slow down with reference to the exhausted nation or nations."[23]

Neither Congress nor the Administration showed any enthusiasm for the "military viewpoint." Since civilian officials considered themselves responsible for servicing the range of national values, they had a definite interest in the costs of naval programs. As one member of the Naval Affairs Committee put it: "The point I am getting at is simply this: The tax burden resting upon the American people. We are today taxing the American people from $50 to $60 per family per year to support the Federal Government. That is an enormous sum. The expense goes in support of the military establishment . . . and that going for the purpose of paying for past wars, etc., represents something like 70 per cent of the total. You can see the situation which confronts a Member of Congress who is compelled to return to his people and explain this increase. . . ."[24] There was a clear possibility of conflict between the civilian interest in minimizing the costs of naval programs and the naval interest in maintaining an establishment commensurate with the more severe tasks that might be thrust upon it. Whenever national resources were in demand for the satisfaction of other values as well as security, there was no possibility that naval officers and the spokesmen for non-security values could arrive at an allocation satisfactory to both by means of a round-table discussion. The "economizing" could only be done in the political arena, a market place where the relative weight of values is determined by the power that is brought to bear in their support. During World War I, both the civil and naval participants in this process were conscious of a relationship between politics and security policy, but their perspectives reveal considerable confusion as to who was doing what and why.

In 1913, reviewing the fate of its earlier recommendations, the General Board complained that the growth of the Navy had "followed the laws of expediency and of the temporary passing passion of non-understanding political parties." The Board declared that "the Navy, like our foreign policy . . . is exterior and national, and has no relationship to

[23] *Hearings* [1914 Estimates], pp. 585-86.
[24] *Ibid.*, p. 540.

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partisanship or politics; and, hence should not be swayed by these influences." It advocated that the Administration adopt the building program recommended by the Board and that this program be placed before Congress and the people "clearly and succinctly." The Board expressed the belief that, once the people and Congress grasped "the meaning of and the reasons for naval power," they would "provide the means." If not, then the responsibility for the "resulting material loss and national humiliation" would be theirs.[25] The Board's complaint revealed a failure to appreciate the possibility that civilian opposition to naval recommendations could result from a judgment that the costs to other values would be too high, as well as from stupidity or fear for office. Occasionally, this perspective was responsible for such sentiments as those expressed upon retirement by Admiral Bradley A. Fiske: "The dangerous enemy of the United States . . . is not the army and navy of any foreign power, because we can raise an army and navy better than theirs; it is the politician who prevents our getting an adequate army and navy . . . 'the soulless politician,' as Whittier calls him, 'who gambles for office with dice loaded with human hearts.' Few men die by reason of external violence; it is internal disease that kills them. From the standpoint of national longevity, politics is a disease."[26]

Secretary Daniels' perspective on the politics of national security was considerably less jaundiced than that of Admiral Fiske. Daniels recognized the mono-value orientation of his advisers. It was the duty of the General Board, he explained, to recommend "what they think is necessary to keep the American Navy always ready for any emergency."[27] However, Daniels' exposition of his own multi-value orientation lacked clarity: "It is not believed that it is dealing honestly with Congress to make large estimates in the expectation that the national legislators will use the pruning knife. I have reduced the building proposed by the General Board . . . not because of opposition to the progressive ideas of that able body of naval statesmen, but because it is deemed wise to suggest a budget that will be within the resources of our Government."[28]

The differences between the Board's recommendations and Daniels' (e.g., four capital ships instead of two) were clearly within the means available. In 1913, and again in 1914, Daniels explained to the House

[25] General Board to Secnav, February 19, 1913, National Archives, Navy Dept., 8557-124.

[26] Interview in the *New York Times*, August 20, 1916, in Bradley A. Fiske, *From Midshipman to Rear-Admiral*, New York, 1919, pp. 621-22. Fiske had been Daniels' Aide for Operations during 1913-1915 and, as such, a member of the General Board. The office of Aide preceded the Office of the Chief of Naval Operations.

[27] *Hearings* [1914 Estimates], p. 625.

[28] *Annual Report of the Secretary of the Navy*, Washington, D.C., GPO, 1913, p. 11.

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Naval Affairs Committee why he recommended two instead of four capital ships. Each year he discussed the consequences for security of these alternatives and concluded that a two-ship increase would "meet the needs of the country." "It would be safer to have more than two," but he did not "feel that the revenues would permit four battleships."[29] Presumably, Daniels' point was that the Administration preferred to do without the ships rather than increase taxes or give up any of the items in the budget which were the monetary equivalent of the ships. Although the question of relative worth could be answered, in the final analysis, only by the relative power brought to bear on behalf of the alternatives, a responsible exercise of power would presume some knowledge about the alternative to be renounced if additional ships were built. But by his oblique phrasing Daniels obscured the existence of these alternatives, and they were never explicated in the Committee hearings. As a result, most of the discussion was conducted as if the question were whether a two-ship increase would meet the nation's "needs" rather than whether the needs seemed worth the costs of a four-ship increase.

Daniels seems to have attempted to answer the question of how much power was needed by something approaching marginal analysis. Much of his confusion can be attributed to the theoretical problems associated with the desirability and feasibility of such an approach to the question. However, in part Daniels' reluctance to spell out the costs of a four-ship increase was deliberate. If there was considerable political opposition to a four-ship increase, an attempt to secure it could result in a loss of power (defeat of Party members at the polls, diminished rapport with Congress, etc.). Such a loss might decrease the Administration's ability to achieve other parts of its program, not to mention the personal power of some of its members. Therefore, the gains to security from a four-ship increase had to be measured against the possibility of such "political costs" as well as the direct costs (the allocation of resources to ships instead of other ends). Given the increments involved, the costs most easily and accurately estimated by Daniels and Wilson were, of course, "political costs," and it is hardly surprising that at times they seem to have been decisive. The Wilson Administration's choice of a two-ship increase for its first naval program was not unrelated to the fact that this had been the "norm" set by prior Congresses. But the Administration could no more afford to publicize such a calculation than it could refrain from making it. Consequently, Daniels was forced

[29] See *Hearings* [1914 Estimates], pp. 609, 630; and *ibid.* [1915 Estimates], pp. 586, 591, 648.

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to give the Committee "good reasons" instead of "real reasons," leaving it the option of deciding whether the good reasons were good enough. There are clearly moral as well as intellectual difficulties attendant on such exercises. When Wilson decided in 1915 on the desirability of a large increase in the size of the Navy, he wanted Daniels to specify what the Navy should have. It is small wonder that Daniels, in turn, wanted the President to specify the amount of money he was willing to ask of Congress.[30]

The most striking point to be made about the deliberations of the members of the House Naval Affairs Committee is the great amount of time devoted to such subjects as the number of movable dock cranes relative to that devoted to a discussion of the number of battleships. After all, the scale of the naval budget was fixed by the number of battleships, which itself was derived from political and strategic considerations.[31] Primarily, this division of time resulted from the fact that the Committee members were intellectually equipped to ask a very limited number of questions about these considerations. It is also apparent that the members received very limited answers to the questions they did ask. Secretary Daniels replied with what were at best brief summations of his grasp of Wilson's political thought, and these generalities were rarely related to the strategic capabilities of the program under consideration.[32] Representatives of the General Board were more informative about the foreign policy implications of the naval programs, as well they might have been, since they had given the subject considerable thought. But whenever the admirals were pressed by cross-examination, they faced a difficult role choice: were they foreign policy experts? This question was invariably answered in the negative, and the discussion would be terminated by declarations such as Admiral Badger's: "I am not an expert on those subjects and my opinion is of no value beyond that of any other man who happens to be before you." Neither the Committee nor Admiral Badger seemed to consider it necessary to relate this declaration to other parts of his testimony in

[30] Charles Seymour, *The Intimate Papers of Colonel House*, Boston, 1926, II, pp. 35-36.

[31] The following exchange took place between Representative Williams and Secretary Daniels: "Mr. Secretary, the number of battleships is a question of policy, merely a question of policy, what is wisest and best?—Yes.—Is not the greatest question that we have to deal with the business management of our naval yards and stations?—That is a very big question.—Is not that one which will give your department the most concern in reaching correct results and conclusions?—Undoubtedly." *Hearings* [1914 Estimates], p. 766.

[32] The 1915 building program changed the Navy's standard from "equality" with Germany to "equality" with England. When Franklin Roosevelt was asked, "What is the reason for this sudden reversal of policy?", he replied: "I do not know." *Hearings* [1916 Estimates], III, pp. 3527-28.

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which he pointed out that the General Board was "only incidentally" kept informed of "diplomatic relations" and that the Board's programs were based on the international situation as the Board saw it.[33]

The Committee knew, of course, that Daniels' recommendations were based on a consideration of other values besides security. Once, when asked to give his opinion as to the proper size of the Navy, "dismissing the idea of revenue entirely," the Secretary had declared: "You ask me to dismiss a matter that cannot be dismissed. You are bound to consider, in a responsible position, what the revenues are in connection with everything the Government does." Such testimony led some Committee members to conclude that "we are building a fleet according to the size of the American treasury and not according to the needs of the American people."[34]

In an effort to evaluate for themselves the needs of the people, the Committee naturally turned to the recommendations of naval officers. Daniels had initiated the practice of submitting the General Board's recommendations along with his own smaller programs. What the Committee wanted to know was whether the Board's programs were a frank statement of the naval needs of the nation or whether the "so-called policy of the General Board" was not in fact to recommend "what they thought they could get out of Congress."[35] The point had, indeed, once been raised during a Board meeting when a member moved to reduce the contemplated program because it "would call for such a large appropriation as to largely defeat itself." After considerable debate, the members agreed that it was the Board's duty to recommend what was "necessary to accomplish the ends of the Navy." If the Secretary decided that it would be "impossible or impracticable to carry through this program," he could then refer it back to the Board for "recommendations as to the order of importance of the various items."[36]

When testifying before Congress, naval officers who were not at the top of the Department's bureaucracy or who had only planning responsibilities took the position of Admiral Austin M. Knight: "I have always argued on the General Board and elsewhere that naval officers, when called upon by Congress or by the Secretary of the Navy, to say what the military necessities of the time are, should disregard the question of expense altogether."[37] But those officers who by virtue of their high

[33] *Ibid.*, II, pp. 1937, 1956-57.
[34] See *Hearings* [1915 Estimates], p. 594; and *ibid.* [1916 Estimates], II, p. 1898.
[35] *Hearings* [1915 Estimates], p. 1021.
[36] Minutes of the General Board, June 30, 1914, Office of Naval History.
[37] *Hearings* [1916 Estimates], II, p. 2031. Admiral Knight was then President of the Naval War College and, as such, a member of the General Board.

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executive responsibilities were in daily contact with the Secretary were inclined to absorb some of his regard for costs. The preparedness program recommended by Wilson and Daniels in 1915 called for a considerable increase over the expenditures of earlier years, but it was not as large as that recommended by the General Board. The Chief of Naval Operations, Admiral Benson, testified on behalf of the Secretary's program, and when he was asked if it was not "proper and right in the consideration of a question, even like this, to take into account the money side of it," Benson replied: "That is the reason that I have stood by this opinion, because I felt that in my position as a military adviser to the Secretary I should consider those things . . . naturally I would like to see a navy right today equal to any in the world, yet under present conditions and in view of the fact that it might possibly not be necessary, even though I know I may be taking chances with my brother officers . . . I have not urged on the Department a larger appropriation. . . ."[38]

At the end of the war, the Administration and the General Board agreed on the desirability of large increases in naval armament, but the great postwar naval programs did not meet with the approval of Congress. It was after these rebuffs that Daniels changed his conception of the Administration's responsibilities with respect to values other than security. In 1920, he informed the President: "It is felt that it is the duty of an Executive Department such as that of the Navy to furnish Congress with exact information as to what it considers necessary for national security from the naval point of view. With this information, the responsibility for the curtailment of the sums necessary to provide for the national safety rests with the legislative body, which, with all the information available regarding the national income, must decide as to its distribution among the Executive Departments."[39] This was a reversal of his own position in 1913 and a complete endorsement of the position of the General Board that same year. But the General Board had changed its position, too. In 1921, it greeted a new Secretary with a naval program drafted "in view of the economic situation" and "the insistent demands of economy."[40]

[38] *Ibid.*, III, p. 3194. Admiral Blue, Chief of the Bureau of Navigation, testified: "It has always been an axiom that we have to cut the cloth according to what we are likely to get. That is the principle upon which the Navy has been run ever since I have known it." *Ibid.*, I, p. 922.

[39] Letter, Daniels to Wilson, March 5, 1920 (noted: contents delivered verbally), National Archives, Navy Dept., RG80:138-19.

[40] General Board to Secnav, July 15, 1921, *ibid.*

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III. The Techniques of Resolution

The preceding pages have outlined the interests and perspectives responsible for civil-naval differences over the questions of functions and magnitudes of naval power. It remains to indicate some of the means used to resolve these disputes. Since the structure of the government gives civilians the formal power of decision, naval officers were limited to argumentative means in their efforts to shape national policy in conformance to their answers. Moreover, their subordinate status and the tradition of duty that re-enforced it inhibited many officers from pressing their opinions with any vigor. Despite these handicaps, the arguments of naval officers were not without influence on civilian decisions. The basis for their power was professional knowledge. Naval officers could speak of naval needs in terms difficult for civilians to understand. Nor could civil officials simply ignore expert opinion; security was, after all, one of their values. Thus, in 1913, Daniels felt obliged to endorse, without really comprehending, the General Board's building goal, maintaining only that the construction should take place over a longer period of time. Thanks to the skillful arguments prepared by Captain Schofield, Admiral Benson exercised discernible and at times decisive influence at the Peace Conference.

Even in the face of expert opinion, civilians were not without recourse. Within Administration circles, they had the option of closing the debate at will. The question of the future ratio of Anglo-American naval power preoccupied Admiral Benson throughout the Peace Conference, but when negotiations on this issue reached their climax, Benson found himself excluded from the President's council. The chief advantage possessed by civilians was their ability to capitalize, by a judicious use of career rewards, on the fact that the very complexities which necessitated expert analysis also made possible a variety of expert conclusions. In the fall of 1914, the General Board was informed of Wilson's decision that no Department would ask for an increase over the previous year's appropriation. Shortly thereafter, the Board drafted a memorandum which, among other items, recommended a large increase in personnel. This memorandum was to be printed in the Secretary's *Annual Report*, and Daniels asked the Board to omit the paragraphs specifying personnel needs. He then submitted the truncated version to the Chief of the Bureau of Navigation for comment, and Admiral Victor Blue reached the conclusion that there was no necessity for a personnel increase at that time. When the Naval Affairs Committee expressed interest in the General Board's ambiguous references to the need for more personnel, Daniels referred to his correspondence

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with the Bureau of Navigation—which he had printed in his *Annual Report.*[41]

Daniels' tactics illustrate his respect for the power of professional knowledge and his appreciation of the fact that the audience for naval arguments was not limited to Administration councils. By taking their case to Congress and the public opinion elites, naval planners could enlist the power of those who were willing to give up more for security than was the Administration or were interested in making political capital of the security issue. But there were costs as well as gains for naval officers who chose to expand the political arena. Convinced that Daniels had given an inaccurate impression of the Navy's preparedness for war, Admiral Fiske arranged to be called before the Naval Affairs Committee in December 1914. He was able to advance his ends by expressing his professional opinion on the state of the Navy in terms calculated to have a sensational effect. He also reduced to zero his influence on Daniels during the remainder of his duty as Aide for Operations and his chances for subsequent assignment to the General Board. The prospect of career sanctions could not help but impress naval officers with the necessity of engaging in the same kind of "political costing" that characterized Daniels' and Wilson's decision-making on the amount of money to be asked of Congress.

A measure of Fiske's temperament and the strength of his convictions is provided by the fact that the Wilson Administration had earlier demonstrated its unwillingness to brook such tactics. During the diplomatic crisis with Japan in May 1913, the Joint Army-Navy Board recommended certain troop and warship movements designed to place the United States in a more advantageous position in the event of war. Wilson opposed these moves as provocative, and the Board was so notified. The next day, the Board submitted another memorandum on the issue and leaked the dispute to the press. When Daniels reported these developments to the President, he was told: "When a policy has been settled by the Administration and when it is communicated to the Joint Board, they have no right to be trying to force a different course and I wish you would say to them that if this should occur again, there will be no General or Joint Boards."[42]

The influence that naval arguments could exercise on civilian deci-

[41] See Minutes of the General Board, November 6-16, 1914, Office of Naval History; Fiske, *op.cit.*, pp. 561-62; *Annual Report* [1914], pp. 68-74; and *Hearings* [1915 Estimates], pp. 721-22. For Daniels' later explanation, stressing the greater need for capital ships and the difficulties he expected and experienced in securing Congressional authorization for them, see *Naval Investigation*, pp. 3052-58.

[42] May 17, 1913, Daniels Diary, Library of Congress. The Joint Board existed by Executive Order, and Wilson did not permit it to meet again until the fall of 1915.

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sion-making was largely a function of how dependent civilians believed themselves to be on the knowledge and skills of naval officers. Obviously, the weight of their words was minimal when a President could contemplate with comparative equanimity the prospect of having no naval advisers at all. It would be a mistake, moreover, to attribute this indifference solely to an expectation that American security would not require the services of naval force. After the United States entered the war, Wilson addressed the officers of the Atlantic Fleet in these terms: "None of you have had any experience in modern warfare, therefore the least of you knows as much as the highest. . . ."[43] As his war leadership demonstrated, Wilson had no difficulty in concluding that he knew as much as the least. The influence of an argument depends upon who expresses it as well as upon what is said, and the arguments of naval officers clearly suffered from the fact that they were not based upon recent experience in the active military defense of the core values of the nation.

The relative power of military leaders today represents a significant increase over that enjoyed by naval officers in World War I. This power is based on the prestige gained by the military as a result of World War II and the widespread expectation that without the proper military shield the United States will lose its allies and suffer atomic ruin. In general, it has become more costly for civilians to oppose military recommendations and less costly for the military to oppose civilian decisions.

This increase in power has been accompanied by three notable changes in the character of civil-military relations since the period of the First World War: (1) more attention is given to military pronouncements about the goals of security policy; (2) the military have evidently made a serious attempt to incorporate non-security values into their planning; and (3) military planners, and their plans, have to a discernible extent become identified with political parties. The first development can be attributed to the deterioration of civilian prestige with respect to security policy as well as to the growth of the military's own reputation. The military's obeisances toward "the economy" during the 1920's were confessions of failure and weakness. Whether the present concern is the result of civilian pressure or the military's own sense of responsibility, it is clearly a reflection of a position of strength.[44] The third development is an important variation

[43] Wilson's paraphrase to House, Seymour, *op.cit.*, III, p. 176.

[44] When he testified on behalf of the 1955 defense budget, Admiral Radford declared: "Without any reservation, I subscribe to the theory that as military men . . . we must

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on Daniels' personnel gambit of 1914, and it is the power of the military which drives civilians to attempt to divide and capture them. One could question the desirability of fragmenting this group instead of renovating the traditional civilian values and perspectives, just as one can question the competence of the military in foreign policy analysis or their mandate to weigh security against other values. But whatever the future form of civil-military relations, it is likely that they will retain many of the political characteristics that they manifested during World War I.

So long as the question of power for what and against whom must be answered under the condition of an indeterminate future, there will remain the possibility of conflict between statesmen interested in a military establishment capable of meeting a variety of contingencies and military leaders interested in having the purposes of their establishment specified in advance of its preparation. Similarly, answers to the question of how much power will be conditioned by the multitude of the demands for national resources, with the consequent possibility of conflict between civilians interested in reducing the military budget and military planners concerned about some of the more formidable possibilities of the future. It is not, of course, a necessary corollary of indeterminacy that civilians evade giving any policy guidance to military planners, or that military planners compensate for their failure to secure policy commitments from civilians by formulating their own. Nor does the necessity for the political allocation of national resources require the participants to act in ignorance of who is speaking for what values and in reference to what foreign policy assumptions. But however sophisticated the perspectives of civil and military officials, the coordination of foreign and military policy, like the dimensions of the military establishment, will remain more than a problem of getting the right men around a table for a rational discussion. In the final analysis, political power, however covertly applied, will be necessary to resolve the question of what is rational.

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take economic factors into consideration." His description of this calculation is worth noting: "From figures that we obtained on prospective national income over the long pull, we eliminated the more or less fixed expenses and within the remaining estimated amount, we did feel . . . that we came up with a military program which was adequate for the security of the United States." He and General Ridgway differed, however, as to whether "we did that voluntarily or under a directive." Senate Subcommittee on Appropriations, *Hearings on Department of Defense Appropriation for 1955*, Washington, D.C., GPO, 1954, p. 83.

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THE NEW CHINESE COMMUNIST

By ALLEN S. WHITING

A MAJOR obstacle to analysis of Communist movements is the absence of firsthand evidence on attitudes and motivations affecting tension and cohesion. The refusal of four thousand members of the Chinese Communist Party and the Chinese Communist Youth Corps to return to the mainland after the Korean War offered an unusually large and representative cross-section of these two organizations for systematic interrogation. The results of such an interrogation conducted by the author in April 1954, while in no way conclusive, provide suggestive statistical and analytical information concerning the composition and motivations of the post-Yenan Chinese Communist.[1]

According to official Communist figures, the Chinese Communist Party numbered approximately three million in December 1948 and more than five million in June 1950.[2] This increase of two million members in eighteen months represents the most rapid expansion of Party rolls in the history of the Chinese Communist movement. It occurred after victory was in sight, but before rigorous measures to consolidate control erupted in the "Three Anti" and "Five Anti" movements of 1951. Those who joined the Party during this period form a group strikingly different from the elite of the Chinese Communist movement, which is composed of devoted revolutionaries trained in the rigorous experiences of the Long March and the wartime days of Yenan.

The interrogation project explored four basic problems: (1) the sociological background of post-VJ Day recruits to the Chinese Communist movement; (2) motivations for joining that movement immediately prior to or during the time of Communist victory; (3) attitudes of new Chinese Communists concerning basic policies such as land reform and the Peking-Moscow alliance; and (4) sources of tension within the Chinese Communist movement. Two hundred men, selected on the basis of a 5 per cent random sample of a group of four thousand

[1] This study was made possible by funds granted by the Ford Foundation. That Foundation is not, however, to be understood as approving by virtue of its grant any of the statements made by the author. Grateful acknowledgment is due Lieutenant-General Chiang Ching-kuo, then head of the Political Department of the Ministry of Defense of the Nationalist Government of China, for his full cooperation and complete acceptance of the author's terms for making this study.

[2] New China News Agency, in *Jen Min Jih Pao*, July 1, 1950. This same dispatch gave Party membership as 40,000 "at the beginning of the war" and approximately 1,200,000 "when the war with Japan was ended"; translated and quoted in Fang Shu, *Campaign of Party-expansion of the Chinese Communist Party in 1952*, Hong Kong, Union Research Institute, 1953, p. 7.

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Chinese ex-Communists, were intensively interviewed by the author and Chinese research assistants.[3] Every precaution was taken to ensure complete privacy during the interviews, to preclude anticipation by either respondents or Nationalist officials of which persons were to be questioned, and to avoid cueing in the responses.

Four qualifying factors condition evaluation of the final results: (1) Politically, the group represents a dissident element within the Chinese Communist movement. However, the degree of its dissidence cannot be determined from the simple fact that the group refused to return to mainland China. Highly organized pressures, both Communist and anti-Communist, limited the freedom of choice within the Korean PW compounds. As a result, some individuals identified themselves with the group out of expediency and not as an expression of rejection of Chinese Communism.[4] To be conservative in projecting from this group to the over-all movement, it is assumed that the rejection of Chinese Communism shown in the interviews is the maximum level of rejection extant among Communists in China. Conversely, any support of the Communist regime revealed in the interviews is assumed to be operative to at least the same, if not to a greater, degree on the mainland. In other words, this group can indicate the minimum of cohesion and the maximum of tension among the new Chinese Communists.

(2) Geographically, the bulk of the Chinese PW's came from the 12th and 60th Chinese Communist armies, recruited largely from Szechwan and Shantung.[5] Thus, while Szechwan has only 10 per cent of the total population of China, it contributed almost 40 per cent of the entire body of fourteen thousand non-repatriates. The random sample of the four thousand who admitted membership in the Party

[3] Every twentieth name was selected from rosters, compiled indiscriminately, containing the names of four thousand ex-PW's who voluntarily admitted membership in the Party or Corps. The initial starting-point on each roster varied and names were selected immediately prior to interrogation. A schedule of fifty-two questions was prepared with the assistance of persons familiar with the target-group through interrogation work in Korea. Rephrasing was permitted when necessary to facilitate comprehension by the respondents. Four Chinese civilian assistants with a knowledge of various dialects as well as of English were hired by the author to administer the schedule verbally.

[4] It is difficult to ascertain the precise number of non-repatriates who were former Communists. Official Nationalist figures place the group as high as 4,628. However, the author met at least a dozen persons identified on Nationalist rosters as "ex-Communists" who denied in private having any connection with the Party or Corps. Accusations in the Korean compounds, often accompanied by physical pressure, forced PW's to "admit" Communist membership. Thus a conservative estimate of four thousand former Chinese Communist non-repatriates provides a reliable basis for statistical analysis.

[5] Mr. Joseph Brooks kindly provided the author with valuable background material gained during two years of close contact with Chinese PW's in Korea as an intelligence officer.

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or Corps found only 19 per cent from Szechwan, a smaller disproportion population-wise, but significant enough to indicate bias in original selection. This proved, however, to be of minor importance.

(3) Chronologically, the group left mainland China prior to February 1951 and was not interviewed until April 1954. The intervening period permitted a change in conditions on the mainland as well as in attitudes held by the group. The lengthy questionnaire was constructed so as to disclose responses influenced by events subsequent to capture by United Nations forces. All such responses were excluded from tabulation. Recollection of facts such as dates, events, and contact with Soviet personnel was facilitated by prior military interrogation experienced by some respondents while they were held as PW's in Korea.

(4) Cross-culture communication faced obvious obstacles. Carefully selected Chinese assistants handled all interrogation and the author kept a constant check on interviewing and transcribing procedures. The respondents understood questions put to them by the author in Mandarin, but answers in local dialects required translation by his assistants. Evaluation of all responses rested exclusively with the author. No attempt could be made to interpret confused, contradictory, or evasive replies. All "Don't know" or "Can't say" responses were excluded from evaluation.

Certain positive factors argue for acceptance of the results within specific limits. The indiscriminate recruiting of the Chinese Communist Army in 1950-1951 apparently exempted only skilled industrial and administrative cadres from service. The group therefore represents a far wider segment of China, geographically and sociologically, than that encountered in refugee centers such as Hong Kong. Respondents evinced a favorable predisposition toward the exclusively civilian conduct of the project. The complete exclusion of Nationalist personnel from the interviews was accepted at face value, as shown by responses critical of Nationalist policies and practices.

The project was conducted at a relatively opportune moment, given the extremely turbulent history of the group. The majority of the respondents had served successively as Nationalist troops, as Communist cadres, and as highly contested PW's. Ten weeks in special "Freedom Villages" in Taiwan provided a somewhat relaxed atmosphere with undoubtedly the least amount of political indoctrination that the group had experienced during the previous four years. The future was also more clearly defined, since 90 per cent of the fourteen thousand nonrepatriates were scheduled to enter the Nationalist armed forces shortly thereafter.

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Composition of the New CCP

As might be expected from the post-World War II development of the Chinese civil conflict, the new Chinese Communist Party is most firmly entrenched in the Northeast (Manchuria) and in provinces north of the Yellow River. The sample suggests that throughout Central and South China Communist control was significantly weak in terms of numerical representation in 1951, while interior provinces such as Hupeh and Szechwan had large but recently recruited Party and Corps organizations. The traditional hostility of South China to rule from the north underscores the importance of this breakdown, although the geographical variation in Communist control may lessen with the passage of time and the consolidation of power.[6]

Turning to family status, 78.5 per cent of the respondents grew up in households whose principal source of income was the land. Of these, 44.3 per cent reported holdings of fifteen *mu*[7] or less, placing them in the lower strata of the Chinese peasantry. These figures have general validity, but lack precision because of observable vagueness surrounding many replies to the question that elicited them. Land reform is an accepted policy in both Communist and Nationalist China, and some respondents may therefore have downgraded their fathers' holdings. On the other hand, some may have upgraded them to win sympathy as victims of Communist brutality. Two general conclusions emerge, however. First, this group was drawn primarily from poorer landholders and therefore suffered relatively little personal loss as a result of Communist land reform. This is important in view of its members' widespread criticism of Communist methods in the countryside, a point which will be discussed below. Secondly, those recruited into the Party and Corps after October 1950 showed a consistent tendency to report higher holdings than those recruited prior to intervention in the Korean War. The need to enlarge cadre rolls compelled the Chinese Communists to lower their standards in terms of social origin, thereby rais-

[6] In August 1952, an official Communist report dwelt at length upon the weak Party organization in Central and South China: "Our Party members in some of the [government] units only constitute 10.9% of their personnel. In some business units, it is even impossible to set up strong Party-branches owing to the scarcity of Party members in them. . . . In some institutions of higher learning, there are few or no Party members on the teaching staff. . . . There are over 20,000 *hsiang* in the Southwest Area, of which 93% still have no Party-branches" (*Chang Chiang Jih Pao*, August 7, 1952, in Fang Shu, *op.cit.*, pp. 3-4). The continuing difficulty which Nationalist intelligence sources experienced in reporting on North China compared with southern and coastal provinces suggests the validity of this geographical analysis as late as November 1954.

[7] One *mu* approximately equals one-sixth of an acre; fifteen *mu* approximately equals one hectare.

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ing the possibility of internal tensions as land policy becomes increasingly severe in regard to taxation and collectivization.

The preponderance of peasant as compared with proletarian membership is also evidenced in the previous occupations of the two hundred ex-Communists. It is probable that many who identified themselves as "merchants" belong to the vast pool of urban, unemployed, unskilled workers, but as an offset it should be noted that the majority of those who belonged to the Nationalist Army would otherwise have been engaged in farming. This is most clearly demonstrated in the Northeast, where almost two-thirds of the sample gave farming as previous occupation and a little less than 7 per cent replied, "Nationalist soldier." Combining the two categories, it appears that almost three-fourths of the group came from the countryside. (See Table 1.)

Table 1
Analysis of Previous Occupation
(in per cent)

	Farmer	*Natl. Army**	*Proletariat*	*Other***
Inner Mongolia-Northeast	65.6	6.9	10.3	17.2
North	48.4	31.0	4.6	16.0
Central-South	42.3	30.9	3.8	23.0
Interior	31.0	34.5	3.5	31.0
Total	*45.0*	*28.5*	*5.0*	*20.5*

* Applies only to those who listed no additional occupation. Of the total sample, 60.5 per cent (121) claimed service in the Nationalist Army.
** Includes merchant, craftsman, student, government official, etc.

A factor of far-reaching importance is the educational background of the new Chinese Communist. Of the total group interviewed, 74 per cent had three years or less of school, while another 18.5 per cent completed primary education. Only 4.5 per cent had between seven and nine years of education, and 1 per cent had ten or eleven years.[8] In short, this group was predominantly illiterate or semi-literate at the time of joining the Chinese Communist movement. The majority learned to read under Communist tutelage, and it is under such conditions that absorption of printed propaganda has its greatest potential. Whether by accident or design, a slight increase in educational level came after Chinese intervention in Korea; 77 per cent of the pre-October 1950 recruits had only three years or less of education as compared with 71.3 per cent of those who joined later. Correlative evidence of this

[8] The curve suggests that a larger sample might have included persons with higher education. It is possible that better-educated Party members were exempt from service in the front lines, thus causing some distortion in this sample.

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increase lies in the fact that whereas 78 per cent of the older group interviewed, the Party members, had three years or less of school, only 63.5 per cent of the Corps alternates fell in this category.

At the time of capture in the spring of 1951, the mean as well as the median age of the total sample was twenty-three. Party members fell predominantly in the twenty-to-thirty-year group; Corps members were generally from eighteen to twenty-five years old. The considerable overlap in the age of Party and Corps members stems in part from the fact that some persons joined the Party prior to organization of the Corps. In addition, however, it appears that local cadres enjoy some discretion in assigning recruits about twenty years old to either the Corps or the Party. The virtual absence of Corps members older than twenty-five indicates that at this point they either graduate into Party membership or are dropped from the Communist apparatus altogether.

The Chinese Communist movement as represented by the four thousand non-repatriates, then, is geographically concentrated in the northern and northeastern provinces of China. It is predominantly agrarian in origin, drawing most heavily from tenant farmers and small landholders. The educational background of its members is extremely limited. Coincidental with Chinese intervention in Korea, recruiting shifted into wealthier landed groups and urban areas, simultaneously raising the educational level within the Party. Although this recruiting extended Party control into hitherto unrepresented groups, it decreased Party homogeneity, opening the way for tensions between old and new Chinese Communists. These tensions are manifested in the motivations and attitudes of the new Chinese Communist members.

Motivations of the New CCP Member

Precise statistical measurement of motivation-oriented response is impeded by intentional camouflaging on the part of those interviewed and inaccurate recollection resulting from intensive political and emotional conflict during their years in PW compounds. Nevertheless, the scope of the questions permits some general observations on the over-all frame of reference of the new Chinese Communist Party member and its manifestations in specific areas of inquiry.

In terms of motivation in joining the Chinese Communist movement, three basic groups emerge. The group that is smallest numerically and least significant politically is basically opportunistic in nature. Respondents of this group displayed exclusive concern with promotion and privilege, choosing their political affiliation solely in terms of personal advantage. Defeats of Nationalist troops had convinced them that

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Communism was the coming thing in China, and their break with Red China in turn appeared to spring from confidence in the ultimate superiority of the United Nations' armed forces.

The second group was numerically somewhat larger and politically of considerable significance. It was composed of avowed revolutionaries, those who had joined the Communists in protest against what they saw as an outmoded way of life. These persons voiced sharp criticism of the activities of the Nationalist government on the mainland and expressed cautious doubts about its ability to defeat Red China. Communist symbols such as "class struggle" and "self-criticism" remained evident in their thinking. Frankly admitting early and/or voluntary association with Communism, these respondents explained their break in terms of the Party's failure to live up to its declared principles.

The third group, the overwhelming majority of those interviewed, might be described as service-oriented followers of authority. Unlike the opportunists, they measured Nationalist and Communist rule in terms of benefits given to the people. Unlike the revolutionaries, they displayed a keen awareness of self-interest. Approached by Communist cadres in factory, farm, or army, they welcomed recognition from above and simultaneously feared the power behind such recognition, which might punish any who refused to respond favorably.

Detailed probing of how and why the respondents had joined the Party or Corps revealed marked differences among these three groups. The opportunist talked only of what he hoped to receive as a Communist. The revolutionary referred exclusively to what he hoped to give as a "leader of the people." The largest group, however, not only hoped to "serve the people" and build a better China but also sought improvement in the status of its members and their families.

Communist recruiting methods recognized this difference in motivation and altered accordingly the predominantly revolutionary appeal that the Communists had used during the earlier years as a minority fighting force in Yenan. Commensurate with its new status as a ruling elite, the Party mixed both persuasion and coercion in its approach to potential cadres. Omitting Marxist symbols altogether, the appeal successively employed flattery, bribery, and threat. During the initial contact with prospective Party or Corps members, the persuasive or positive arguments followed this pattern: (1) "You should serve the people"; (2) "You are an excellent worker, you are honest, you never complain"; (3) "You should lead others"; (4) "You will be looked up to by others"; (5) "You will have a glorious future, promotions, and privileges"; (6) "Your family will receive better care." If these failed, coercive or

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negative arguments were used: (1) "You should make up for your previous background"—usually as a former Nationalist soldier or a son of a landed family; (2) "You will have no future outside the Party"; (3) "You will be looked down on if you don't join"; (4) "You will be thought anti-revolutionary." As a final thrust, the recruiting cadre would warn, "There are only two paths: revolutionary and anti-revolutionary. Which will you take?" Despite the Leninist nature of this slogan, the over-all argument emphasized self-interest for the individual and his family rather than service to Communist principles. Stress upon political indoctrination and "class-consciousness" did not come until after these men had joined the Party or Corps.

In addition to these appeals, the psychological impact of the initiative exercised by Communist cadres as a ruling elite in recruiting for the Party and Corps was extremely significant in winning new members. Recognition and praise elevated peasant and soldier from insecurity and anonymity to a position of status. Hard work was rewarded instead of being ignored or abused. This made a deep impression upon these men, as evidenced by their repeated references more than three years later to the praise given by Party cadres. "They said I was a good worker" or "They said I never fell behind" appeared constantly in their responses. At the same time, recognition and praise carried an implicit threat of retribution, ranging from suspicion to execution, for those who hesitated to join. Where government is by men and not by law, and where peasant fear of force is rooted in a life of marginal existence, it is difficult to divorce reward from punishment. The same persons who welcomed praise also noted "their tight organization. . . . They might have thought me unprogressive. . . . I knew I would have to join sooner or later." Offered not as an excuse but as an explanation, there is much significance in the phrase, "I didn't want to appear uncooperative."

The need to increase Party cadres rapidly in 1949 in order to meet the sudden responsibility of administering all China, followed by the staggering burdens imposed by intervention in Korea, gave the Chinese Communists no alternative but to change their recruiting pattern and appeal. These political crises accelerated a process that is inevitable when a revolutionary minority is transformed into a ruling elite. Because the new Chinese Communist joined in response to an essentially non-Marxist-Leninist appeal, his expectations differed from those of his senior Party cadres. Manipulation of Marxist symbols brought initial response from new members, but failure to follow promise with performance brought doubt and disillusionment. Lacking the dynamic

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fervor of the revolutionaries, these followers of authority placed greater emphasis on short-run ends. Submissive to Party discipline, they nevertheless became passive rather than active followers once they felt critical of Party policy and procedure. Given the opportunity to defect, these men made up the bulk of Chinese ex-Communist non-repatriates following the Korean armistice. Their compatriots on the mainland form the broad base of the Communist power-pyramid, but the insecurity of that base poses a problem in the present and immediate future for Chinese Communist leaders. So long as service and self-interest remain its twin motivations, failure to realize either aim will leave this group dissatisfied and restive. This does not mean opposition to Party discipline, but it does mean difference of attitude, which may affect implementation of Party policy.

Attitudes of the New CCP Member

Virtually unanimous support was voiced by the respondents for the principle of land reform. Even those whose families' incomes were significantly reduced thereby expressed no opposition in the interviews. However, the wholesale executions and "class struggle" in the countryside aroused many misgivings within the younger Communists. "How can you help people by killing people?" and "The worst thing was the killing!" summed up the attitude of the most disillusioned ones. Verbal castigation of "the rich" and of "landlords" was not equated with physical execution in the minds of these men. No aspect of Nationalist Taiwan aroused wider interest among these ex-Communists than its avowed policy of peaceful land reform, because, as one man put it, "The Nationalists are no longer only the friend of the landlord." Thus, while Communist land reform satisfied the self-interest of the poorer peasant, Communist excesses alienated those simultaneously motivated by a desire to serve others as well as themselves.

The Communist definition of service clashed directly with self-interest where inner Party control measures were concerned, to the bitter disappointment of many non-repatriates. The majority of new members had no other specific responsibility than to watch and inform on their colleagues. Resentment was widespread among those who had expected "more respect" and "more freedom" to be enjoyed by "leaders of the people." Some criticized hierarchical discrimination within the Party which permitted Party members to inform on Corps members, but not vice-versa. Constant surveillance within the Party and Corps played a major role in disillusioning these men with Communist practices.

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Similar skepticism and criticism characterized opinions of the Peking-Moscow alliance. Cadres in the Northeast refused to sanction Soviet behavior after VJ-Day as part of "international revolutionary solidarity." Soviet excesses among the local populace were explained by higher authorities alternatively as being committed by "White Russians and ex-convicts freed from prisons in order to win a new life by serving the army," or as being characteristic of "Russian customs which are different from Chinese customs." Neither explanation sufficed, however, and new directives forbade cadres from other areas to converse with civilians in affected regions, particularly during the build-up in the Northeast prior to intervention in Korea. Many men reported covert complaints from the local populace directed against early Soviet looting, continued Soviet administration, and increased exploitation of Manchuria. In particular, failure of Soviet Russia to deliver much-heralded tractors and farm equipment in exchange for Manchurian foodstuffs aroused latent anti-Russian feelings.

An interesting index of attitudes toward Soviet Russia emerged in response to the question, "If the Chinese Communists were attacked, would Russia send troops? Why—why not?" Eighty-five per cent of the sample answered affirmatively or negatively, for the reasons shown in Table 2. Those who responded in terms of treaty obligations displayed the maximum acceptance of Communist propaganda. Those who conditioned their response in terms of American participation in the attack may have been simply rephrasing the treaty commitment operative in case of attack "by Japan or States allied with it."[9] However,

TABLE 2
BELIEF IN SOVIET MILITARY INTERVENTION IN FUTURE WAR ON CHINA MAINLAND

AFFIRMATIVE: 57.8 PER CENT				NEGATIVE: 42.2 PER CENT		
Obliged by Treaty	*Only if US in Attack*	*Obliged by Need*	*No Reason*	*Not in Self-interest*	*Too Weak*	*No Reason*
7.5	11.1	35.1	4.1	20.5	13.5	8.2

those who saw Soviet assistance as motivated by a need to control China as a source of manpower and foodstuffs or as a buffer against invasion did not view the Peking-Moscow alliance in orthodox Communist terms. Only 46.1 per cent of those from the Northeast answered this question affirmatively, while 63.5 per cent from both the interior and

[9] Article I of the Treaty of Friendship, Alliance, and Mutual Assistance Between the USSR and the People's Republic of China, February 14, 1950, as quoted in Max Beloff, *Soviet Policy in the Far East, 1944-1951*, Oxford, 1953, p. 261.

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central-south areas believed Russia would send troops to assist the Chinese Communists. The reasons accompanying this response form a suggestive pattern. Only 30.8 per cent of those nearest Russian territory believed "need" conditioned Soviet policy, whereas 52.7 per cent of those most distant from Soviet borders held this view. In short, the new Communist tended to view the alliance as one primarily serving Soviet interests, not as dictated by "friendly" or "comradely" relations. In terms of Communist propaganda, they gave the right answer but for the wrong reason. Conversely, the older Party member showed a slightly greater disposition to cite Soviet pledges, but had less over-all confidence in Soviet assistance.

This breakdown further suggests that Chinese confidence in Soviet backing may be increased in direct proportion to the emphasis of propaganda, foreign as well as domestic, on the importance of China to Russia. The logical corollary of "Soviet Russia uses China's manpower" or "Soviet Russia uses China's food production" seems to be "Soviet Russia will fight to keep China Communist-controlled." Thus propaganda directed at China to weaken Sino-Soviet ties, as presently designed, might actually strengthen them. It is interesting to note that in both affirmative and negative responses international relations are viewed primarily in terms of interest, not ideology.

Fundamental to analysis of cohesion and tension within Communist movements is an assessment of the effectiveness of Communist propaganda. The limitations surrounding this project preclude definite conclusions on this point, but several questions brought forth replies useful in the construction of hypotheses for further research. The query, "What did you hear in China about Soviet activity in China?" permitted three types of response: pro-Soviet, anti-Soviet, and mixed. Two-thirds of the respondents, divided almost equally between those recruited before October 1950 and after 1950, gave answers capable of evaluation. Of the older group, 28.9 per cent reported only anti-Soviet accounts, while 39.5 per cent reported only pro-Soviet accounts. Of the younger Communists, the proportion of negatively oriented replies was only 22.1 per cent, while those giving favorable reports reached 43.8 per cent. This pattern follows an area distribution, with only 20.8 per cent of those from the Northeast giving purely favorable accounts, while 52.6 in the south-central and 61.1 per cent in the interior areas fell in this category. The political significance of Soviet atrocities in the Northeast diminished both in point of time and with geographical distance. This is not exclusively a function of Communist propaganda, however, since undoubtedly older Communists from Manchurian provinces longest

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under Chinese Communist control heard propaganda telling of Soviet assistance, yet they showed the greatest proportion of exclusively anti-Soviet responses to this question. It would appear that anti-Soviet experience prevailed over pro-Soviet propaganda, but that pro-Soviet propaganda triumphed over anti-Soviet rumor.

The final questions bearing on attitudes toward Soviet Russia attempted to reveal the degree of belief in Chinese Communist propaganda stressing the "elder brother" relationship. Given the political background of the non-repatriates, it was expected that nearly all would deny having believed the stories of the older cadres. On the contrary, however, of the 52 per cent which responded intelligibly, 65.8 per cent expressed belief and only 34.2 per cent claimed disbelief. Those recruited prior to intervention in Korea showed a greater tendency to admit acceptance than did those recruited after intervention. When it did not run counter to experience, Chinese Communist propaganda won acceptance because it came from recognized authority. Thus "I believed it because they said it" combined with "I didn't know anything else" to explain why the majority admitted belief. Those who replied negatively did so partly from skepticism—"Foreigners never help China, why should Russia?"—and partly from observation—"I never saw all the machinery they said we were getting from Russia." Chinese Communist propaganda must overcome an inherent prejudice against the *ta pitzu*—"big nose"—but it enjoys a favored position so long as direct evidence of Russian exploitation is lacking. The Korean War bolstered acceptance of the "elder brother" line, since the Chinese Communists were led to expect Soviet equipment but not Soviet troops. The respondents agreed that the Chinese armies were Soviet-trained and -equipped, and therefore believed propaganda about Sino-Soviet cooperation. Some questioned the ultimate motive behind providing Chinese manpower with Russian weapons, but they proved to be in the minority. Belief in Soviet armed strength was demonstrated by the smallness of the percentage of respondents who said that Russia would not send troops to assist China because it was too weak to do so.

Sources of Tension in the CCP

This study indicates two basic sources of tension within the Chinese Communist movement. One source is rooted in the composition of the movement. The second lies in the motivations of the new recruits. The first type of tension can be alleviated by altering the composition of the Party and Corps, purging overrepresented groups and promoting groups heretofore underrepresented. The second type of tension is more

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basic, however, in that it represents a fundamental obstacle to merging old and new Communists into the Leninist ideal of a monolithic party.

Those tensions that spring from the composition of the Chinese Communist movement have already been examined and need only be summarized here. The Party's strength is concentrated in the provinces north of the Yellow River, and consequently some sections of the government and army are dominated by Chinese from this area. This may cause resentment and distrust on the part of those from interior, central, and southern provinces, perpetuating the traditional cleavage between North and South China.

The overwhelming majority of the Chinese Communist Party is agrarian in origin. However, the avowed policy of the government is increased taxation and collectivization in the countryside. As the lower strata of the Chinese peasantry become increasingly disenchanted with Communist land reform and its consequences, tension may arise between those whose basic ties are with the soil and those who come from urban groups.

Finally, the Chinese Communist Party is dependent to a large degree upon persons with little or no formal education. Its suspicion of and hostility toward intellectuals makes unlikely an early remedy of this defect. Yet necessity may ultimately compel wider recruiting of better-educated cadres to meet the growing demands of administration, particularly in a socialist economy. The traditional Chinese scholar-official elite is almost totally displaced for the present. Should it reassert itself, inner Party tensions may increase between those with longer Party service and less education and those new to Party membership but with specialized knowledge.

Inherent in the appeal to self-interest employed in recruiting the new Chinese Communist is an admission that this motivation is basically opposed to that of the fervent, self-denying Marxist revolutionary of Yenan. Attitudes of the new Communist with respect to specific policies continually center around the poles of service and self-interest. The basic attraction of Communism for the new recruit is its promise of material benefits for both the individual and the group. Its failure to measure up to expectations impelled the majority of the four thousand non-repatriates to break with Communism. As one man put it, "Good food means good government; no food means bad government." Another said, "Fill the people's stomachs; then fill their minds." Of the Three People's Principles advocated by Dr. Sun Yat-sen, only *min sheng*, or "people's livelihood," won constant attention from the respondents.

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Thus Communist land reform was supported in part because it promised more food for the individual. Aside from the execution of landlords, the most serious criticism from these ex-Communists was leveled at heavy government taxation which reduced the peasant's share to a minimum. Short-run sacrifice for long-run benefits is difficult to grasp, given the low educational background of rural China. Similarly, expectation of Soviet assistance and opposition to food exports to Russia while rations are short in China increase inner Party tensions. In brief, the values of the new and old Communist differ at points crucial for implementing policy.

It is worthwhile to note in passing that authoritarianism is not a point of dispute within the Party, except insofar as it affects personal rather than political liberty. When asked what they considered the most pressing need of the Chinese people, only 6 per cent of the respondents called for greater freedom. Moreover, their objections focused upon restrictions on movement and privacy, and not on restrictions on political action.

The basic charge against Communism so far as the new Chinese Communist is concerned is that it has failed "to deliver the goods." Tension may be expected to increase in direct proportion to the amount of economic deprivation, whether suffered by the individual or by the group. Performance, not propaganda, will determine cohesion. An increase in material well-being will ease that tension insofar as it lessens the gap between expectation and fulfillment. This places particular importance upon the foreign trade of Communist China, both with the Soviet bloc and with the non-Soviet world.

In conclusion, it might be noted that the scale of values in contemporary China would appear to remain unchanged from the past, rating material benefits first, personal liberties a poor second, and political freedom at the very bottom. Seen in this light, the four thousand nonrepatriate Chinese ex-Communists did not choose freedom. Rather, they left a regime that promised more than it delivered, in hope of finding a regime that might promise less but deliver more.

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Ext Mat Ec & Politics

Review Articles

AMERICAN FOREIGN ASSISTANCE

By THOMAS C. SCHELLING

William Adams Brown, Jr., and Redvers Opie, *American Foreign Assistance*, Washington, D.C., The Brookings Institution, 1953, 615 pp. $6.00.

NOTHING demonstrates more clearly the involvement of the United States in world affairs than the ramified foreign assistance programs conducted since World War II. These programs have not been just a symbol of our involvement; to a large extent, they have been our involvement. While making their contribution to economic recovery and military preparedness, they have been a main—sometimes the main—vehicle of American diplomacy and military cooperation, and they have produced an intimacy between our government and other governments that had a precedent, if at all, only in Anglo-American collaboration during World War II.

Including the period of Lend-Lease, the era of major foreign assistance now covers some fifteen years; it has involved the expenditure of more than one hundred billion dollars; and has entailed negotiations with nearly every country in the world. The history of these various programs has been duly recorded, each in its own sphere: World War II, European recovery, North Atlantic cooperation, economic development, etc. But until recently there was no comprehensive attempt to bring all these assistance programs together in a single survey and to review them as a continuous evolution of policy and administration. This has at last been done, with extraordinary competence, by William Adams Brown, Jr., and Redvers Opie, in *American Foreign Assistance*, published by the Brookings Institution. After meticulous study of the published records and extensive interviews with government officials, the authors have provided not only an authoritative and systematic history, but—perhaps more important—a coherent structure to which the contributions of others may henceforth be related. They have done it while the subject was warm, memories fresh, and the participants available (at least with respect to the Marshall Plan and subsequent developments), and have consequently preserved some of the most perishable data.

Economists will recognize the authors as members of their profes-

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sion; but the book is not mainly concerned with economics. It deals with the conduct of programs. The focus is the governmental process: how the United States government recognized problems, groped for an understanding of them, developed programs to meet them, persuaded the Congress or the public or another government to adopt them, invented techniques, estimated costs, set up administrative machinery, and executed its plans.

It is precisely this continuous evolution of policy and execution, in all the ramified fields of foreign assistance from the time of Pearl Harbor to the present, that makes "foreign assistance" a coherent subject for study at all. Substantively, there is little similarity between financing ammunition for Indochina and teaching a Middle Eastern farmer to keep goats off his pasture. The theme that connects the disparate elements of foreign assistance is a common evolutionary process, in the course of which programs fuse and divide and fuse again, revolving around the effort of a government to discern and exercise a responsibility outside its own borders—a responsibility that changes in nature and aspect as time goes on, often more rapidly than the machinery of government can adapt itself.

Brown and Opie have made no pretense of writing a history of American foreign policy. If anything, they have understressed the tendency of these programs to dominate foreign relations. But because the programs have been so large in size and concerned with nearly every facet of our international security policy, and because at times they have seemed almost to subordinate the rest of our relations with allied countries to the status of "other miscellaneous diplomacy," the history of these programs goes a long way toward being a history of American external affairs since the close of World War II.

In one respect the book differs from a history of foreign relations: program decisions that would seem minor to a student of foreign affairs are covered in detail. The reason lies partly in the authors' desire to be comprehensive, but mainly in the nature of the central topic, the process of government. Minor programs have often been the proving grounds for ideas or techniques; they have set precedents; and they have raised disproportionate problems of administration, diplomacy, and public relations.

It is interesting to see, in the span of a dozen years covered by this work, the continuity in programs, the inertia in techniques, and the longevity of unsettled questions. Controversies over counterpart funds, or the role of foreign exchange reserves as a criterion of assistance, or the distinction between "military" and "economic" assistance, trace

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back to UNRRA, Lend-Lease, or the revision of the Neutrality Act in 1939.

In what follows, the writer will discuss a number of issues raised by his reading of *American Foreign Assistance*. This is not an attempt to find mistakes and correct them, or to provide a balanced criticism of the book. It is rather a response to the new presence of a central core of reliable fact and analysis, to which lesser contributions can be attached in the process of building up a body of history commensurate with the importance of the subject. On some points, the writer may disagree with the authors only because he is free to depart from the framework they set for themselves, or because, a first approximation having been made by Brown and Opie, a second approximation can now be offered.

I. Flexible Programing vs. Incentives

The conflict between incentives and flexible programing is one of the universal dilemmas in assistance programs. (It attaches not only to foreign assistance but to domestic programs for farmers, veterans, the unemployed, etc.) It arose under the Marshall Plan in many forms, particularly in the question whether to fix amounts of aid in advance for the whole four-year period, for one year at a time, for three-month periods, or not at all (i.e., to reimburse after the fact). The argument for short programing periods is that needs cannot be forecast with accuracy, and an allocation that seems right at the beginning of a period may be proved inefficient or inequitable by subsequent events. The argument against flexible programing is that it tends to penalize successful self-help and reward failure by compensation. To recognize the problem is not to impute bad faith to the recipients; the line between good and bad policies is seldom distinct, and the matter is one of how strong the pressures will be on recipient countries to conserve their resources.

Theoretically, flexible programing could aim at compensating only for those events that are outside the recipients' control, while letting them suffer the losses they could have avoided or keep any savings that are due to their own efforts. In practice, however, it is doubtful whether this can ever be accomplished: the ECA's only intention to try it (during the fiscal year 1950-1951) was abandoned; and at best it involves a recriminatory process not conducive to good relations.

The dilemma is inherently insoluble; the best that can be sought is compromise suited to particular circumstances. The question of the length of the programing period was never satisfactorily settled under the Marshall Plan. After two years of rather flexible allotments, it was

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tentatively decided to freeze existing percentage quotas for the final two years. Much of the motive—for the OEEC countries as well as the United States—was to eliminate the disincentive. Whether the decision could have been held to, in the absence of Korea, can only be guessed.

A related feature of flexible programing is that it invites the continuous dramatization of weakness rather than strength, and increases the frequency of the demoralizing competitions in self-derogation that go with the periodic division of aid. It also consumes a large amount of government effort.

This incentives problem arises most explicitly when assistance is related to some kind of deficit between a country's requirements and its own resources. But it can also arise in more subtle form when the intentions of the grantor are not clearly understood, or when the grantor is unable to commit itself with respect to its own intentions. One reason the offshore procurement program was slow in starting, for example, was apprehension by American officials that U.S. intentions would be exaggerated by European governments. If the latter were to believe that their own financial shortfalls would be made up by U.S. expenditure, those deficits would be enlarged by the very evidence of American willingness to fill the gap. This fear of a "disincentive" is a real one wherever the limits to U.S. intentions (or at least some ostensible limits) cannot be made clearly visible in advance. (The problem is most subtle when the United States has no decided limits, but only wishes to minimize the gap before filling it.)

A certain amount of negotiating strategy may be involved. It is often within the power of both grantor and recipient to avert an emergency, the latter by conserving resources in advance and the former by providing help in the event. But if the grantor's hands are visibly tied in advance, the recipient is left the "last clear chance" of averting the emergency, and has every incentive to do so.

An important difference, in this respect, between the Marshall Plan and the Mutual Security Program was the latter's somewhat greater focus on performance rather than need. Assistance conditioned on military expenditure, for example, provides more incentive in favor of performance than assistance related to needs alone. In fact, it may even become possible, in multilateral programs with common costs to be assessed on the members, to devise incentive arrangements that stimulate rather than retard performance.

II. Military vs. Economic Assistance

The relation, or distinction, between military and economic assistance

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has never been settled. Confusion over this issue goes a long way toward explaining the administrative arrangements and conflicts that preoccupied the Administration and the Congress from 1950 on. Economists themselves—who by their own teachings should be the last to recognize the distinction—have almost boycotted military assistance in their professional writings. And the very efforts of the executive branch to "relate" the military and economic programs after Korea probably had the effect of exaggerating the distinction.

There is, to be sure, a distinction between a program aimed at economic improvement and a program aimed at military improvement. The problem arises when both aims exist simultaneously; it then becomes nearly impossible to segregate parts of a total program according to the aims they promote, unless either the level of military activity or the standard of living is so completely specified in advance as to leave only one variable to be affected by assistance. (The argument that military strength depends on economic strength, while substantially valid, frequently exaggerates the correlation and neglects the conflict between the two.)

Most of the discussion over what is "really" economic or military assistance has been concerned with the more "economic" types, and has ignored the biggest part of the program, namely, the assistance given in the form of military equipment. The Randall Commission, for example, cited with disfavor such new terms and concepts as "defense support" and "mutual defense financing": "The distinction between military and economic aid is blurred by the use of such terms in a way which the Commission believes is undesirable."[1] Whether or not this is a perspicacious comment, the discussion is noteworthy in ignoring the much larger program of military end-items. Professor Mikesell, in *United States Economic Policy and International Relations*, disposes of the latter form of assistance as follows: "We shall make a distinction between economic assistance and purely military assistance which takes the form of military end-items such as tanks and military planes. Economic assistance in the form of coal, steel, or industrial machinery may of course be used to produce military end-items by the recipient country."[2] Not only does the second sentence throw doubt on the value of the first, but there is lacking a third that should read: "And so may purely military assistance in the form of end-use items release coal,

[1] Commission on Foreign Economic Policy, *Report to the President and the Congress*, Washington, D.C., January 23, 1954, p. 8.

[2] Raymond F. Mikesell, *United States Economic Policy and International Relations*, New York, 1952, p. 323, n. 17.

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steel, industrial equipment, and manpower, for the production of consumer goods, and relieve defense budgets so that citizens can enjoy lower taxes and consume those goods."

The popular consensus has been that "economic aid" can be either economic or military in its result, while aid in the form of military equipment can serve only the military purpose. This view has persisted, in spite of its asymmetry, and even though earlier discussions of the Marshall Plan were fairly sophisticated in recognizing that the real net effect of assistance could not be deduced from the commodity composition of the goods shipped.[3]

Perhaps the frequent acquiescence of economists in this view has been more the result than the cause of their apparent disinterest in "pure" military assistance. Fortunately, Opie and Brown have now made a good start toward filling this gap; a large and interesting part of their book is devoted to it. The reasons why other writers have steered clear of it are numerous. An important one is probably the greater secrecy that surrounds military assistance. Nevertheless, it is the present writer's belief that the two commonest reasons why economists have treated military end-item equipment as a distinct category have both proved to be wrong. One was based on a wrong factual estimate, the other on an erroneous conception of the military programing process.

First, the wrong estimate. When the military assistance programs were originally under consideration, it was commonly believed that, financial considerations aside, the United States was the only country equipped to produce, with reasonable speed and efficiency, the heavy and intricate equipment that a modern military establishment requires. It was felt that jet aircraft, electronic fire-control mechanisms, and all the other complicated instruments of scientific warfare were beyond the technical competence of a Europe not yet recovered from World War II. (The exception—a big one—was the United Kingdom.) This view was held despite large parts of the program devoted to simple items like trucks and artillery ammunition. Even for the more complicated types of equipment, this view has now been demonstrated to be simply incorrect. It was incorrect both in underrating the technical ability of Europe to produce the equipment, and to produce it at reasonable cost, and in overrating the speed at which the United States could expand production beyond its own growing requirements. The fact that over three billions dollars of offshore procurement contracts were placed by the United States in Europe within the first twenty-four

[3] A similar disregard of substitution possibilities has often been implicit in the distinction between "strategic" and "non-strategic" items in East-West trade.

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months of the offshore procurement program—including contracts for advanced-type fighter aircraft, electronics equipment, etc.—demonstrates the first part of the error; acute Congressional disappointment over the delivery of U.S. equipment reflects the second. Whether or not deliveries from U.S. production were so slow as to retard the formation of combat units abroad is a separate question; but it seems beyond dispute that the delays were sufficient to contradict the original estimate of Europe's comparative slowness of production.

The second wrong notion was that putting together a military assistance program would be a fairly mechanical matter, requiring only the "technical" services of the military establishment. Even Brown and Opie—whose approach to military assistance is in general quite sophisticated—seem a little cavalier in speaking of the responsibility of the U.S. Military Assistance Advisory Groups in the recipient countries. They say that "they ascertained local needs . . . and that the local programs were in harmony with the needs and capacities of the country" (p. 474). This sounds deceptively simple, as though the MAAG simply knew the country's force plan, computed total requirements from a standard table of equipment, subtracted equipment on hand plus an estimate of what the country might finance out of its own production or procure from other countries, made an allowance for wear and tear, and chalked up the difference as a U.S. program.

But consider a country that has at least as much difficulty in deciding annually on its force plan as the United States government does. Add that the country's budget authorities have little or no experience with a modern military establishment, and only the vaguest notions of cost. Include uncertainty whether the parliament will actually vote to conscript all the troops involved in the plan. Place the country's own military budget in the category of a variable, both in respect to how large it can be without causing inflation and to how large it will be when it has passed through parliament. Recognize that, of all the equipment the country will need, most of it could actually be procured at home or elsewhere in Europe. Consider that the amount of "economic aid" is still undetermined but may substantially affect the size of the budget. And do all of this for programs that—on either the military personnel or the military production side—involve a "lead time" of two or three years.

It was this oversimplified view of the military programing process, and the factual error on the necessary origin of the goods, that made it possible to assume (a) that the requirements of the program could be independently determined, and (b) that, however financed, the items

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were simply a net addition superimposed on the balance of payments already accommodated by economic assistance, and consequently had no significant impact on the latter program.

At times it has been argued that "pure" military assistance is related to, or conditional on, enlarged defense efforts that outweigh the assistance received, so that the net result is not "aid" at all. But if this point is worth pursuing, it is certainly only worth doing so in the context of the entire assistance program—not just that portion of it that is composed of finished weapons.

III. The Forms and Formalities of Assistance

An important exception to this attitude toward military assistance was the offshore procurement program. Under this program, funds appropriated to provide foreign countries with military equipment were used to purchase abroad equipment to be delivered abroad. It was recognized early that this technique bore a close similarity to either straight financial assistance or economic assistance which, while providing imports for the country as a whole, provided the military budget with counterpart funds.

In fact, from a purely fiscal and accounting point of view, most of the various forms of aid are fairly equivalent. (This is why, in purely domestic assistance programs, the invention of money is so much taken advantage of.) The question is consequently raised, are there reasons for choosing one technique of assistance over another, or are they all reducible to a kind of cash transfer?

It is the writer's view that the form does make a difference, as do the formalities, quite apart from any substantive identity that can be demonstrated among the techniques. The reasons, however, are tactical rather than economic.

The United States usually wishes to influence the behavior of the recipient country, if only to minimize legitimately the need for assistance. We may have views about the country's tobacco consumption, and we may have views about the way it is running its air force. If we are financing the tobacco its citizens consume, it is not entirely in poor taste to suggest that they consume less tobacco and build better railroads, or introduce less wasteful ways of producing cigarettes, or (to pick a less popular example) buy more tobacco in Kentucky and less in Turkey. If we are financing their airplanes, it is not entirely in poor taste to suggest that they take better care of them, utilize them more effectively, select more suitable types, or train their pilots better. But if we finance airplanes and tell them they are smoking too much, or

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finance tobacco and criticize their air force, the resistance will be immeasurably greater. There is no logic in this; granted that there are technical reasons for financing airplanes rather than tobacco, or vice versa, why should that particular choice determine the areas in which our advice might be listened to or in which we might apply such leverage as we have? The appearance, however, is ever so much better if we are only advising on how to use or conserve the assistance provided and how to minimize the need for help; it is much easier to stay on the level of "consultation" rather than "pressure," and to maintain informal technical contact in those areas where we wish to be influential; and it is much less embarrassing for a government to accept foreign conditions or foreign advice when the matter is clearly one on which it has made a prior request for foreign help.

Regarding the formalities of assistance, sophisticated and flexible administration is not in all cases rewarding. There is protection in rigidity. If this country is prepared to meet, say, 40 per cent of the cost of a joint program, but is as desirous as any other partner to see the whole program completed, we may be forced inch by inch into a larger share by a shortfall in the performance of the other participants. The problem here is that these other participants may recognize that their own shortfalls will be made up, and their incentive to perform will thus be reduced. But if the 40 per cent limitation can be marked out with a variety of boundaries, our intention to adhere to that figure will enjoy greater credence. If, for example, we furnish hardware but no fuel, food, or clothing; aircraft but not civil defense anti-aircraft weapons; cotton but no nylon; or U.S.-produced goods but not goods from other sources; and if we establish administrative procedures that cannot readily be adapted to the ineligible categories; then the limits of our intentions will be more firmly established. There will be less opportunity for embarrassment and misunderstanding; and there will be less likelihood of our being faced with a problem that we have to meet, but that could have been avoided had our unreadiness to meet it been taken for granted from the outset. Establishing such categories of aid may reflect a naïve and irrational fixation on explicit program objectives, and ignore the fluidity of resources among uses and the near-equivalence of different types of assistance, and still serve this tactical administrative purpose. Also, necessary discrimination among recipient countries may cause less ill will and disappointment if it is ostensibly discrimination among types of aid or classes of goods, even though a sophisticated observer may recognize that the categories are superficial.

The division of aid for Europe between military end-item and other

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funds may have been too inflexible and—considering in retrospect the accumulation of unspent funds—too weighted toward U.S.-produced equipment; but if all the funds had been appropriated as a single sum, the demands to "re-program" toward other uses would certainly have been excessive, and even reasonable resistance to such demands would have caused ill will. Similarly, for all the accusations of inflexibility leveled at the administration of the offshore procurement program, its success is to some extent attributable to the "inflexible procedures" that reduced interference. An excessive willingness to be reasonable, and an excessive attempt at perfectly rational planning, have retarded many worthwhile programs.

Congressional attempts to "legislate" executive-type decisions should sometimes be viewed in this light. If the United States has really made up its mind to make certain funds available only for a specific purpose, such as a European Payments Union, or to insist that counterpart funds be used to a specified extent for military expenditures, occasionally there are tactical reasons for embodying this intention in the legislation itself. To do so not only avoids a hypocritical pretense of negotiating a result and eliminates wasteful discussion, but, more important, it prevents actions being taken on a wrong judgment of U.S. intentions. The effective negotiator is not always the one who is left the greatest flexibility, but frequently the one whose position is so clearly delimited in advance that his intentions cannot be misjudged.[4]

IV. The Control of Assistance

Two techniques of program control have received rather adverse judgment from Brown and Opie. One of these is the device known as "counterpart funds," representing the local currency proceeds paid to governments by importers upon receipt of Marshall Plan goods. These funds, according to bilateral agreements between the United States and the recipient governments, were subject to use only by agreement with the United States. The other is the device of "programing" the assistance in specific export commodities rather than simply turning cash over to the recipient. Brown and Opie reach the following conclusion: "No concrete measurement of the various sources of influence exercised by the United States is possible. It may be surmised, however, that such were the limitations on the specific instruments for exerting pressure that in the pursuit of common objectives more was achieved

[4] The legislative withholding of half of the 1953 military assistance funds for Europe until an EDC should come into existence was, according to the view expressed here, inept rather than inappropriate.

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by consultation and cooperation than by the use of these instruments" (pp. 189-90). They conclude, ". . . it is improbable that any elaborate system of supervision and control was essential for this purpose" (*ibid.*).

It seems generally true that the United States nominally had a good deal more control than it would have dared, or have been permitted, to exercise. In most cases, the control was only nominal; a country that complied with the letter but not the spirit could fairly well evade U.S. influence. And it seems generally correct that—aside from some special cases, to many of which Brown and Opie specifically refer—the United States did rely on persuasion and consultation, and that the implicit threat of termination of aid or some similarly drastic action was seldom taken seriously by the recipient country. But could consultation and persuasion have been as effective as in fact they were without some fairly elaborate formal arrangement that involved at least nominal control?

The "elaborate system" is sometimes a necessary formality without which there is no basis, or no opportunity, for persuasion and consultation. The counterpart-funds arrangements, for example, in most countries really represented (a) an explicit agreement that the United States, as the residual supplier of resources, had an interest in the country's fiscal policy and use of its own resources; (b) an obligation on the part of the country to make information available about financial plans and reconstruction programs; and (c) machinery that automatically provoked discussion and consultation without the United States having to take the initiative in a manner that implied dissatisfaction or a desire to apply pressure.[5]

Much the same can be said for the detailed commodity review of country import programs. The real function of this kind of review is not to catch countries in error, or to withhold assistance in order to force acceptance of U.S. views. Rather, it is to provide a continuous flow

[5] Professor Mikesell has expressed a similar view: "Since the deflationary effects of the counterpart funds can be offset by other means such as credit expansion and budgetary deficits, policies with respect to their use must take into consideration the general monetary and financial program of the country concerned. Thus it would do little good to insist on the noninflationary use of counterpart funds if the ERP country simply expanded purchasing power by some other means. In practice, the counterpart-funds arrangement has given ECA an opportunity to comment on the general fiscal and monetary policies of the aid recipients. Because of the political importance of balanced budgets and of preventing further increases in the quantity of money, participating countries have been eager to obtain approval for the release of these funds from ECA. This situation has provided an opportunity for the ECA and the NAC to influence internal financial policies of the participating countries and frequently to strengthen the hands of governments in inducing legislatures to adopt financial reforms" (*op.cit.*, p. 266).

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of information, continuous consultation below the ministerial level, and a procedure that explicitly raises potential disputes before they become serious—all of which are precisely the "persuasion and consultation" to which Brown and Opie attribute such success as was had. In all of these "elaborate" systems of review, there will be some wasted effort and meaningless ceremony. But these are part of the overhead cost of maintaining working contacts between government officials, keeping abreast of information, and being alert to differences of views before they reach an embarrassing stage.

This view of the formal systems of control does not by any means give the whole picture; but it is an essential part of the perspective in which one should judge the administrative controls of our aid programs. Otherwise, they do indeed seem to represent a combination of nominal control too great to be exercised and actual control too little to matter.

V. The Importance of Cost Estimates in NATO Planning

The problem of estimating military program costs, referred to earlier, is of some historical significance. The margin of error in "costing" a bill of military requirements (and setting standards for the requirements themselves) can be extremely large, especially for countries about to develop modern military establishments for the first time. Furthermore, in a joint effort, there is a tendency for countries to "negotiate" in their cost estimates by erring on the side of higher costs, liberal equipment allowances, etc., in order to make a claim for assistance or to put the best foot forward. Finally, cost estimates take time, and a military plan may be substantially changed before its original costs have been computed. A number of programing decisions can be judged fairly only against the background of then current estimates—or lack of estimates—of what the whole military build-up was likely to cost.

In this connection, Brown and Opie may have somewhat misinterpreted the activities of NATO during late 1951 and early 1952. They remark that the establishment of SHAPE in April 1951 "marked the end of the planning phase and the beginning of the operational phase of the NATO." Further, "it was now time to establish specific quotas for country contributions in achieving balanced forces and the Temporary Council Committee, which was set up at the Ottawa meeting of the North Atlantic Council in September 1951, began to assess contributions for 1952" (p. 537). Earlier they indicate that, by the summer of 1951, American military officials expressed satisfaction with the pace of the European military build-up (p. 504).

It seems to this writer more correct to say that serious planning got

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started only under the TCC in the last month of 1951. By serious planning, I mean planning as a basis for action with reasonable regard to the need for consistency between the force goals, on one side, and the raising of funds, on the other.

The key to this kind of planning is the cost link between the force plan and the financial plan. No military plan can be a basis for action if it is totally beyond the resources available; and no financial plan can be a basis for action if it is totally unrealistic in view of security requirements. The TCC was an extraordinary and intensive effort to thrash out a plan that could be acted on, not just talked about, and that was close enough to feasibility to provide a basis for tentative commitments, for testing the "balance" of the program among the services and among regions, and for letting military leaders have a realistic notion of what might become available to them in the following years. And one of the more heroic actions performed under the TCC, and absolutely essential to its task, was a "costing" of the total program.

Furthermore, the TCC worked a significant change in the nature of the NATO planning process. Previously, the effort had been to set a kind of absolute goal, based on "requirements," without a date but to be achieved as soon as possible. The approach of the TCC was to take existing forces and budgets as its starting point, and work forward from what existed to what could be accomplished within a budget planning period. Instead of planning backwards from an ultimate goal, the TCC attempted to plan forward by budget periods.

VI. The Organization for European Economic Cooperation

In appraising the accomplishments of the OEEC, Brown and Opie again seem to this writer to have underemphasized the less tangible purposes and accomplishments of a formal procedure.

The authors discuss the painful ordeals of that organization in its effort to divide Marshall Plan funds among the recipient countries. As they rightly point out, it failed. Extraordinary arbitration procedures were required to get out of various impasses; the United States had to apply pressure behind the scenes, and even in front, to secure decisions; and after two years of it, the organization almost unanimously expressed itself ready to forego future exercises in the division of aid, retaining the percentage shares of the latest year as the fixed pattern from then on.

The OEEC failed to put together a four-year plan; it failed to coordinate investment in Europe; and its only tangible accomplishment

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was the European Payments Union, the impetus for which came largely from the United States.

Judged by the ambitious standards that the OEEC set for itself, or that the United States held up for it, it was indeed remarkable for its failure. And yet, judged otherwise, it may be one of the most successful experiments in international collaboration ever undertaken, involving a large number of countries and important objects of negotiation.

The existence of the OEEC helped the United States to carry out an operation that was otherwise almost sure to produce antagonism rather than gratitude. Had the distribution of aid been handled in a purely bilateral way with each recipient, the United States would have been sitting in completely unilateral judgment on each country's needs, moral claims, etc., arguing singlehandedly against a country that knew more about its own economic situation than the United States did. The mere existence of the OEEC was a constant reminder that more assistance for one country—particularly after the year's appropriation was available—meant less assistance for another; and in the review of aid requirements it permitted cross-examination by "peers" rather than solely by the grantor. The United States was able to pass the buck in a perfectly legitimate fashion; and recipient government officials were able, when criticized at home for obtaining too little assistance, to point to competing requirements of other countries.

Second, the OEEC dramatized the existence of a Western European community and helped thereby to create and strengthen it.

Third, and surely most important, it brought exceedingly competent people together from the participating countries and gave them unprecedented and otherwise unobtainable experience in working together on common problems. It assembled large amounts of information, it educated everyone present in the problems of other countries, and it developed a set of operating procedures and personal acquaintanceships among the members of the various delegations without which the establishment of a North Atlantic Treaty organization would have been substantially more difficult. Like any bureaucracy, the OEEC developed a jargon, a committee system, and a set of ground rules covering everything from the rotation of chairmanships to the number of mimeographed copies that should be made available to members. But it is only through bureaucratic experiences of this sort that effective operating methods can be developed.

To prove the point, it seems fair to remark that the much-publicized TCC that finally put NATO planning on a workable basis would have been a human impossibility had not the OEEC previously developed a

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working model, a group of people familiar with the system, and even the personal acquaintances without which a long warming-up period would have been required. It is no coincidence that the members of the TCC (Harriman, Plowden, and Monnet) and much of their retinues at all levels had worked together in the same city on not dissimilar tasks in preceding years.[6]

Nevertheless, the present writer has to agree emphatically with Brown and Opie that the original emphasis in the program on economic cooperation, mutual self-help, coordination of programs, etc., reflected an erroneous view of the recovery problem. Outside of the important field of trade and payments, the problems of recovery were largely susceptible of solution on a national scale. (In contrast, however, to the later, equally unsuccessful, effort to plan NATO military production on a Europe-wide scale, the initial attempt at over-coordination in the OEEC probably caused no actual delay.)

VII. The Evolution of Economic Assistance

It is generally assumed that sometime between the outbreak of the Korean War and the passage of the Mutual Security Act in October of 1951, the character of our "economic" assistance programs for Europe changed. The nature of this change is customarily described as a shift in objective from economic recovery to the support of enlarged military establishments. From an analytical point of view, another aspect of this change is important; that is, the distinction between aid to a country's economy generally and aid designed to put resources in the hands of a country's government.

The Marshall Plan—so far as U.S. assistance was concerned—essentially aimed at enabling importers who could pay for imports with their own currency to purchase the necessary foreign exchange. Increased imports did relieve inflationary pressure in the recipient country, making it possible for government outlays to be enlarged, but this effect was secondary both in motive and in quantitative effect. The quantitative importance of assistance was not to be measured by comparing the amount of aid with a country's gross national product; on that basis, the Marshall Plan added 3 or 4 per cent to European resources in the peak year. The additional imports were not 3 or 4 per cent added to total production, but substantial additions to those particular

[6] Professor Kindleberger projects the OEEC experience even further. Speaking of the "creative cooperative act" of OEEC in making recommendations for the division of aid, he says, "The type of sharing implied in this act is . . . the basis of forging many into one sovereignty" (Charles P. Kindleberger, *International Economics*, Homewood, Ill., 1953, pp. 494-95).

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commodities whose European production was most inadequate. For this reason, the aid was often said to have a "multiplier effect," making possible production levels in Europe that were higher by a multiple of the aid provided. (Another way to say this is that dollar assistance was undervalued at the prevailing exchange rates.)

But once the NATO defense program was under way, this "multiplier effect" became less important in the justification for assistance. Even if economic aid could put only an equivalent value into a country's military establishment, it was still worth while if it reduced the military burden on the United States or provided military strength closer to where it was needed; surely this was all that assistance in the form of military equipment was, on the whole, designed to do. Under these conditions, economic aid became much more in the nature of assistance to government budgets than of assistance to the balance of payments.

In many cases, "budgetary assistance" can be translated into "balance-of-payments" language: it is assistance given for the purpose of offsetting, with enlarged imports, the inflationary impact of an equivalent increase in government expenditure. If imports are severely restricted to begin with, only a relaxation of restrictions is required to make the aid effective. But even when no substantial excess demand for imports is present, it may become desirable to induce a larger balance-of-payments deficit in order to make possible a higher level of non-inflationary government spending in the recipient country (in much the same fashion that an ordinary "long-term capital inflow" would be accommodated). In other cases—and there have been such cases—inflation may not be the problem; some governments simply find it difficult to get funds appropriated by their parliaments, or fear (rightly or wrongly) the monetary consequences of an enlarged budget deficit.[7]

Whatever the wisdom of submitting to demands for assistance on considerations of internal finance—a judgment that must recognize the urgency of defense as well as the cultivation of bad habits—the motives for requesting assistance, and to a large extent for giving it, must in many cases since about 1951 be interpreted in these terms. For reasons of habit as well as of public relations, the language of assistance continued to reflect an apparent preoccupation with the balance of payments; and to protect itself against excessive demands, the United

[7] Some of these latter cases were subject to the mistaken interpretation that aid was given to permit an enlargement of foreign exchange reserves, since foreign exchange reserves naturally rise when the "budgetary assistance" is not accompanied by an offsetting import surplus. It would have been more correct to recognize the rise in reserves as a by-product (or at least a result of secondary importance) insofar as the motives for giving or requesting aid were concerned.

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States continued to assert the balance-of-payments criterion. But, fundamentally, the desire in many cases was for budgetary assistance, and the practical question of supporting enlarged defense budgets abroad (and also some non-defense programs, e.g., assistance to refugees) required practical recognition of this hitherto unrecognized justification.

Another trend was the growing political and public relations importance of economic assistance. (Interestingly enough, this was slow to attach to the military end-item assistance, partly because the matter was esoteric, partly because the country program figures were never made public, and partly because the less flexible programing techniques discouraged considering the end-item programs as fungible resources.) This trend was probably parallel, rather than related, to the defense effort starting in 1950. The political and public relations aspects of assistance seem to become more important in the declining stages of a program. There is something abrupt about a termination of aid, suggesting that a relationship is gone or that a recipient country has lost its importance.

A special reason for the political importance of economic aid was that counterpart funds in many countries were more flexible than ordinary tax proceeds appropriated by a parliament. Counterpart funds were convenient for programs that were subject to parliamentary inhibitions or logrolling. They sometimes became the favorite funds of particular ministries whose programs would die when aid terminated. While specific examples of this sort are hard to find in the record, because of the delicacy that attaches to them, some evidence is seen in the fact that for several European countries "economic" aid continued to be given in amounts that were clearly too small to make any difference by ordinary economic standards.

Brown and Opie give an excellent early illustration: "National elections were to be held in Italy on April 18, 1948, and both the American and Italian governments believed that the passage of the [Economic Cooperation] bill before that date might be of crucial importance in encouraging the Italian voters to resist the appeals of the communist propaganda" (p. 145). What is significant here is that it was not the effects of the aid that were to influence the outcome of the election, but the impact on public opinion of the simple act of passage. This is the kind of thing that became increasingly important in the later years; and it tended to affect not only the amounts of aid, but also the timing of their announcement, the conditions attached, and the specific allocation of counterpart funds to internal programs.

In this context, the form in which aid is given assumes additional

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significance. It is of substantial political importance whether U.S. assistance is identified—via the specific programing of counterpart funds, etc.—with refugees, workers' housing, land reform, or the war in Indochina. And this effect is not entirely one of public relations; government budgets are compartmentalized, not fluid, and the channeling of assistance to a particular part of a government's budget is not necessarily offset by a re-allocation of the government's own budget.[8]

VIII. Assistance and "Intervention"

Any assistance program is likely to raise the question of "intervention" in the domestic affairs of the recipient. The moral arguments in favor of intervention are only as strong as the willingness to hear them, and will not be pressed here. But certain aspects of the intervention problem deserve amplification beyond that given them by Opie and Brown.

In the first place, intervention is not universally resisted by recipient governments. One government does not often force a view on another government, since a government usually does not have a single view. Governments, for any contacts below the heads of government, ordinarily have many views, representing the different interests, agencies, political backgrounds, and education of the officials who compose them, and there is sometimes not even a dominant view. To "intervene," therefore, is usually to encourage or support one part of the government rather than another, or one political force rather than another. To say this does not excuse intervention or make it any less delicate a matter; it does, however, remind us that intervention is often as much desired by some elements in the recipient country as it is resisted by others. In fact, the internal political consequences of an economic or administrative decision are often brought suggestively to the grantor's attention by the recipient government. Perhaps the most significant feature of the example cited above from Brown and Opie, on the Italian elections, is that *both* the Italian and American governments were eager for the "influence" described.

The other point is that intervention, to some extent, works both ways. In the NATO planning process, the U.S. program and contribution have been subject to scrutiny, just as have the programs and contributions of the other countries. The United States has not been as vulnerable to certain kinds of pressure, because it is not receiving assistance directly; on the other hand, as the largest and most potent member of the

[8] It was the two trends discussed in this section that made "trade, not aid" a somewhat less relevant choice than that slogan's popularity would suggest.

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partnership, the United States has been the focus of more criticism than any other single country. This is particularly true of intervention in the "large," which takes the form of public criticism, negotiation in the press, etc., rather than prodding at the working level. On a smaller scale, it has not been uncommon for recipient governments to attempt to bypass the official channels of aid administration and appeal through a more sympathetic agency, or even to the Congress itself or to particular elements of American public opinion.

Intervention has also been triangular. It is no secret that a number of European countries intruded in the aid relationship between the United States and Spain, just as India has "intervened" in the military assistance program for Pakistan, the Italians in the aid programs for Yugoslavia, the Arabs and Israelis in each other's, and so on. The entire OEEC division of aid process, and management of the European Payments Union, represent a kind of mutual intervention on agreed terms.

The lines are not easy to draw between intervention, negotiation, and the "screening" of requirements. To criticize a country's conscription procedures, its devotion to "prestige" types of military force, its protectionist attachment to domestically produced weapons, or its unwillingness to spend more on defense, and to be criticized in turn, and to withhold part of one's contribution or threaten to place it elsewhere unless reciprocal obligations of commensurate sacrifice or value are undertaken by the partner country, are part of the normal process of expensive international collaboration. In fact, there is more symmetry in the relationship than the terms "grantor" and "recipient" suggest; to some extent, both are contributors to a joint project.

In a joint project like NATO, the interests of grantor and recipient do not coincide; the less one provides, the more the other has to. But in programs like the Marshall Plan or UNRRA, both grantor and recipient are supposedly interested in the same goal: maximum effectiveness in the use of resources for the recipient's own relief or reconstruction. What is the role in these programs of intervention or control? To force the superior wisdom of the grantor on the unwilling recipient?

Apart from the possibility of superior wisdom unsolicited by the recipient—which should not be entirely discounted, but which in modesty we may lay aside for the purpose of this discussion—there are at least two reasons why the grantor may be moved to intervene. One is to protect itself—or other countries that share in the assistance—against a recipient's enlargement of its own needs. The too rapid use of an aid allocation, or its use for low priority purposes, may leave a country with urgent and uncovered requirements later on. The grantor,

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faced with an accomplished fact, may have little choice but to provide more, even though the recipient has enjoyed an unintended bonus during the initial period. In terms used earlier, the grantor in this case has the "last clear chance" of averting disaster or program failure, the recipient having exhausted its resources. And, on balance, the recipient may be better off for it! This is not necessarily a blatant case of bad faith, deserving of abandonment (nor, if it were, could we always afford to abandon the program); it is more likely the result of a genuine belief by the recipient, as by every recipient, that its own difficulties have been underestimated and underprogramed and that it will not be abandoned in its need when all the evidence is in.[9] It may therefore be wise to control, or at least to review, the use of resources by a country; the country's incentive to conserve its resources is weakened by its (likely correct) disbelief that the amount of its aid is truly fixed.

The second reason is that aid-receiving governments, like all governments, are subject to pressures from domestic interest groups. Control by the grantor over the use of aid may help to prevent the indulgence of these demands. Much attention has been given to the pressures on the American side, which resulted in the use of American vessels for aid shipments, inclusion of agricultural surpluses in the programs, etc.; but the American government, or the United Nations, has probably been much less subject to program-distorting pressures on the detailed administration of aid than recipient governments have been on the use of aid. Whatever the practical wisdom of intruding, at least there is a motive here that does not depend on the conceit of program administrators. The motive, furthermore, is not universally deprecated by the officials of recipient governments, to whom a scapegoat for painful decisions is often welcome.[10]

These remarks neither condone intervention in a moral sense, nor belittle the practical consequences of skillful or clumsy intervention. They are intended only to emphasize that in a world of such complicated international relationships as the one we live in, with joint par-

[9] Agencies of the United States government have been known to get themselves in this position; to avert having to bail them out is one reason why the Budget Bureau "apportions" funds by quarters even though the year's budget is approved and the appropriation is in hand. Professor Smithies uses the term "coercive deficiency" to describe the practice. See Arthur Smithies, *The Budgetary Process in the United States*, New York, 1955. Incidentally, his entire Chapter XVII, "Federal Grants-in-Aid," bears a remarkable analogy to foreign assistance.

[10] The last portion of Professor Mikesell's quoted remarks on counterpart funds is relevant here: ". . . an opportunity for ECA to . . . strengthen the hands of governments in inducing legislatures to adopt financial reforms" (*op.cit.*, p. 266).

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ticipation in costly programs, economic policies that impinge on other countries, and explicit attempts to form political affiliations, the conduct of foreign affairs and negotiations tends to constitute one huge web of multi-directional intervention of such complexity as to rob the term of most of its content.

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BRAIN-TRUSTERS OF AMERICAN FOREIGN POLICY

By WILLIAM G. CARLETON

Louis J. Halle, *Civilization and Foreign Policy*, New York, Harper and Brothers, 1955, 277 pp. $3.75.
George F. Kennan, *Realities of American Foreign Policy*, Princeton, N.J., Princeton University Press, 1954, 120 pp. $2.75.
Charles Burton Marshall, *The Limits of American Foreign Policy*, New York, Henry Holt and Company, 1954, 128 pp. $3.00.

HERE are three thoughtful and penetrating accounts of the problems of American foreign policy enmeshed in world politics and interpreted in the light of fundamentals in international relations. The point of view of all of them is strikingly similar. At one time or another during the past fateful decade of American foreign policy, the authors served as members of the Policy Planning Staff of the American State Department. They came to their realistic views of foreign policy the hard and practical way, as brain-trusters charged with the responsibilities of charting the day-to-day foreign policy of a country suddenly thrust into leadership in a dangerous and turbulent world. Almost as many of their difficulties were caused by the misconceptions of the American people about international relations as by the intrinsic perils of the international situation itself. Out of the travail and anguish of these experiences have come a rare understanding and wisdom about America's place in the world, which these men seek to share with their fellow citizens.

Much of what they say is not new. Nathaniel Peffer and other specialists in international relations were warning us back in 1945 of the unrealistic nature of much of American thinking about foreign affairs. But these books under review have a new cogency, for they are written by practitioners with discerning minds who have had to come to grips at firsthand with the bitter actualities of the past ten years. However, these authors have not escaped entirely from the bureaucratic limitations of their own experiences; they are not always as original or as bold as they appear to think themselves to be; and sometimes their proposals are disappointingly modest and negative. For it should be kept in mind that we are dealing here with civil servants—extraordinarily gifted public servants—and not with creative statesmen, philosophers, or historians. As one reads these accounts, he is likely to

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forget this and to expect too much, because all three take broad and comprehensive views.

These three books are in the best tradition of Western humanism. Marshall's use of literary allusion is delightful. Halle's psychological and spiritual interpretation of history is highly suggestive; but it is too narrow, it is not sufficiently pluralistic, and even an idealistic historian like Arnold Toynbee takes much more into account the economic and materialistic factors at work in society. Toynbee would hardly identify "our side" with "civilization" and the "other side" with "barbarism." Nor, I venture, would he find in the historically new "legitimacy" founded on "consent" (Kennan, Marshall, and Halle all make much of consent as a pivotal factor in domestic politics and international relations) the only kind of "legitimacy" compatible with civilization. Indeed, there have been and are many kinds of legitimacy in the world, and even the West's current notion of consent expressing itself through parliamentary institutions may be yielding, under the pressure of modern technology, to new types of "consent," as James Burnham, Julian Huxley, Bertrand Russell, Walter Lippmann, and a host of other Western thinkers have pointed out in various ways. Now, I am not saying that I personally do not prize the values which Halle prizes. What I am saying is that when one essays the role of historian of civilization and of civilizations, one must work with a broadly pluralistic point of view.

All three authors strike at American immaturity in foreign affairs—the American penchant for absolutes, black-and-white judgments, cosmic creeds, moral platitudes, crusades for the impossible; for thinking of legalisms and words as substitutes for realities; for the bland assumption that all foreigners, like the Americans, are contented with their lot and ready to be frozen into an international status quo. These authors find the cardinal failing of Americans in international relations to be their refusal to accept the balance of power as the working system of international relations. Since the turn of the century, since the United States emerged as a world power, this refusal to think frankly in terms of the balance of power, this tendency to think of power as something unclean and immoral, has led up many blind alleys. The result has been false expectations, miscarriages, frustration, and a dangerous diverting of American attention from the realities of foreign policy. Illustrations are legion: the Hague Treaties, the Root-Taft-Knox-Bryan arbitration treaties, the Kellogg-Briand Pact, the numerous disarmament proposals, the grounding of America's entrance into World War I on a violation of maritime rights and an intention to "save democracy" rather than

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on the German threat to the balance of power, and the absurd insistence in World War II on making a distinction between "aggressor nations" (our enemies for the time) and "peace-loving nations" (our friends for the time, including Russia). It is emphasized again and again that Americans must live in a balance-of-power world; that the game of balance of power will continue to be played both outside and inside the United Nations; that the actual balance-of-power situation will be particularly dangerous for a long time to come; that Americans, as other peoples have done for centuries, must learn to live and deal with the insecurities of national existence from day to day as something normal and not as something exceptional. Even total victory in a war against Soviet Russia would not mean solution of our problems, security, and relaxation, but new responsibilities, new problems, and greater and more extensive exertions.

The dangerous tendency of Americans to want to settle their problems of national security in one fell stroke or to withdraw into a sullen and self-righteous isolation is pointed out repeatedly by these authors. These tendencies to "all-or-nothing" are manifested by both America's doctrinaire internationalists and her nationalists.

The urge of the doctrinaire internationalists to solve all international problems by a single plan or perfect and completed organization was revealed in the Hague Treaties, the arbitration treaties, the Kellogg-Briand Pact, repeated disarmament proposals, the too-great expectations about the League of Nations, the proposals of the world federalists and other proponents of world government, and the drive to abolish the great-power veto in the United Nations. Both Kennan and Marshall point to dangers in the United Nations which spring from doctrinaire conceptions of that organization. One is greater dependence on the small nations as the General Assembly has expanded at the expense of the Security Council. This enlargement of the place of the small nations popularizes the notion—to which Americans are all too prone anyway—that parliamentary majorities composed of nations without power are as important and as real as power itself. But power and responsibility cannot be divorced, and paper majorities representing states without power can lead to false hopes, irresponsibility on the part of the small powers, and embarrassment and increased intransigence on the part of the larger powers. Again, open and democratic diplomacy in the Assembly often leads to microphone diplomacy, the perils of histrionicism, the inflaming of mass passions, the puffing-up of small and innocuous issues to big and dangerous ones, and the development of an inflexibility that makes compromise difficult.

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The tendency of America's nationalists to try to solve the problems of American security by one grand action is illustrated in the American crossing of the Thirty-eighth Parallel in the Korean War and the subsequent plan of General MacArthur to "knock out" Communist China, the advocacy of "wars of liberation," and the urges to a "preventive war" with the Soviet Union. Proposals of this sort solidify the peoples and alliances in the opposition; alarm America's allies and cause rifts in the Western coalition; misconceive America's power and weaken America's ability to carry out those limited objectives of American foreign policy which are possible and realistic; and are premised on the false assumption that total victory would bring total solutions and American security, whereas in fact total victory would bring even more baffling problems and onerous responsibilities. Halle is at his best in hypothecating the probable outcome of total victory of the United States over the Soviet Union: chaos, or a new threat to the balance of power by a resurgent Germany and a more ambitious China, or a mixture of both chaos and new threats to the balance of power; or an American empire which kept peace by the frightful use of blockbusters in the many troubled areas of the world and which ended by militarizing and brutalizing the American people and destroying all that was left of American liberty at home.

On the other hand, the tendency to withdraw, in the fatuous belief that the United States can return to its nineteenth-century isolation, appears again and again. The return to isolation in the 1920's, the deepening isolation of the 1930's, the Nye neutrality legislation, the defeat by an eyelash of the fantastically unrealistic Ludlow Amendment in the late 1930's, and the popularity of the Bricker Amendment today are examples. Other evidence of America's insularity and inbreeding is the burdening of all the great American postwar foreign economic aid measures with mercantilistic and nationalistic devices which partially defeated the very thing they were designed to do—to narrow the dollar gap; the failure of the greatest creditor nation to revolutionize its trade policies or even to discuss such a revolution; and the disinclination of Americans to take real part in the international exchange of goods, persons, and ideas.

In the concluding and climactic chapter of his little book, Kennan pleads for an America that is more receptive and more outgoing, for an American people who have rejoined the human race. Here, in my opinion, Kennan is close to the basic reasons for American misconceptions of international relations; but he does not really get down to the most important matter of all. For American adolescence in thinking

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about international relations goes back to the peculiar cultural inbreeding of American life, and this in turn goes back to America's peculiar historical development. Americans are unprepared to understand national cultures, values, and systems that differ from their own because Americans have had such an overwhelming agreement on their own national values and system. Europeans have experienced no such agreement. Europeans have seen inside their own countries the political and intellectual conflict of right, left, and center which springs out of a much longer history, the survival in their societies of many more values from the past, the revolutionary protests against these values, and the consequent jostling in actual life of diverse value systems. On the other hand, the United States has had no feudal leftovers or class systems, and therefore it has had no political or intellectual right. Because it has had no right, it has had no revolutionary movements of protest, no political or intellectual left. Politically and intellectually, Americans have had only the center—an overwhelming agreement on capitalist, middle-class, democratic, liberal, and Lockeian values. Both American political parties go back to John Locke, and their main disagreement is on the way the national income is to be distributed—one party in general favoring the more prosperous, the other the somewhat less prosperous. Having no conflict over fundamental values and systems at home, Americans are shocked by and ill prepared to understand and to deal with different systems abroad. It is always difficult for a people to come to a vicarious understanding of foreign cultures, values, and systems; it is particularly difficult for Americans because of their overwhelming internal agreement on values and the huge success they have made of their own system. This monolithic liberal or centrist thinking is the chief cause of the American confusion over intellectual freedom and civil liberties at home, and it is the basic reason why Americans lack an understanding of their allies and of their opponents.

Of the three authors here reviewed, Kennan seems to come closest to seeing this, but his is only an approximation. Louis Hartz, in his recently published *The Liberal Tradition in America*, brilliantly articulates this view—an articulation which has been long overdue—but he does not to any extent apply it directly to the international situation. The reading of Hartz's book along with the three books under review would provide many new insights into the difficulties of American leadership in foreign affairs today.

On the positive side, what all three authors want is modest enough. They ask that the United States pursue a policy of power politics with caution and moderation, with limited and obtainable objectives, in

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terms of the total power situation in the world and with realization of how specific measures will react on both allies and foes, in a spirit of give-and-take and reciprocity with allies and even with opponents when possible, with little fanfare and moralizing, avoiding a policy of "bluster and a small stick," keeping means consistent with ends, and with a knowledge that consent is the best and most economical kind of power. They emphasize again and again that international relations is a never-finished task, that national security is a problem that in one way or another will always be with us, that responsibility cannot be divorced from power, that there are no final solutions, that very often a situation is more understandable and manageable before drastic action than after it, and that even total victory in war means new and more difficult problems and additional responsibilities.

The wise policy for America, all three agree, is not isolation or imperialism but cooperation with allies, inside and outside the United Nations. The containing of communism inevitably must produce crises and tensions, but the general aim should be the avoiding of crises and the relaxing of tensions where possible. Halle emphasizes the need for nuclear offensive and defensive power and for the maintenance of such conventional forces as would deter or frustrate any military attack of a traditional nature. All three authors recognize the supreme importance of nuclear weapons and the various ways these may revolutionize diplomacy and war, but they also recognize the possibility that nuclear weapons may never be used and that international relations and wars may continue to be conducted as they have been in the past. However, this uncertainty in itself obtrudes a new ambidexterity into the conduct of international relations.

In two respects, there is a note of optimism. One is the possibility, mentioned by Kennan and elaborated by Marshall, that the Soviet system will undergo an internal evolution toward a more liberal regime. Growing Soviet mechanization, industrialization, and urbanization inevitably produce wider managerial and middle classes and these might produce pressures for liberalization. Just as Leninism developed into Stalinism, so Stalinism may be evolving into "something else," and this "something else," according to Kennan, will be "closer to the requirements of international stability than we have known hitherto in the Soviet system." Marshall gives the possibility a somewhat different twist: "The best hopes lie in creating the circumstances for heightening the dilemma within the Soviet framework, eventually to move it along the course of accommodation and therefore toward its own historic transformation—always with a knowledge that the pressures on the

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rulership to resort to general violence as a solvent may well increase as the point of crux is approached." Kennan, Marshall, and Halle find in "consent" a key to international relations, a new "legitimacy." If the "historic transformation" should move Russia toward a system based more on consent, then international relations could be conducted on a more predictable and dependable and less dangerous basis.

Another note of optimism is the growing evidence that the world is moving away from a polarization of power in Washington and Moscow and returning to a multiple, more manageable, more flexible, less dangerous balance of power. Kennan states bluntly that the present situation is not a repetition of the Hitlerian threat to the balance of power. It was high time that this should be stated bluntly for Americans, that Americans should be made to understand that such terms as "appeasement" and "another Munich" have little relevance to the current situation. Kennan also states flatly that today we are in the midst of "a transition from a simple to a complex international pattern." Marshall and Halle also suggest that bi-polarity is breaking up. Halle's account of the Chinese Red Revolution, largely based on C. P. Fitzgerald's account and emphasizing the indigenous nature of that revolution, should go far to dispel the mythology in which that revolution has been shrouded by Americans. Halle's enumeration of the various reasons why China will not be a mere puppet of Moscow and the various national issues which might divide Russia and China gives additional evidence for believing that if China were not literally forced into Russian alliance by American pressures, the Chinese government would pursue a course in international relations essentially independent of Moscow.

However, both Kennan and Marshall weaken the evidence for a reviving multiple balance of power by their reluctance to acknowledge the indigenous and nationalistic nature of much of the Communist movement. For one of the most important reasons for a reviving multiple balance of power, along with the recovery of Germany and Japan and the growing influence of the "in-between" nations like India, is the indigenous and more than latent nationalism in Communist countries and movements. Kennan writes that "nowhere in the world has there actually been any growth of Communist power in the last thirty years, other than in areas installed by Soviet bayonets and where the Soviet military power could continue, with ease and convenience, to breathe down its neck." Now this statement is plainly untrue. What of Yugoslavia? What of the continued increase in Italian Communist strength in every successive national election? What of Indo-China,

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where even American correspondents of almost every shade of opinion admit that a plebiscite would have given the country to the Communists, and where there is the greatest concern that the Communists will win against the Saigon government in the plebiscite scheduled for 1956? Marshall is less emphatic, but he suggests the same dependence of Communist expansion on Russian power.

And then, after having committed themselves to this generalized error (and thus having contradicted some of their own previous generalized assertions and strengthened the unfortunate and untrue American stereotype that every increase in Communist power anywhere in the world is a direct extension of Russian empire and an immediate threat to the world balance of power analogous to Hitler's), both authors proceed to qualify it. Kennan admits that in Czechoslovakia the Communist electoral strength before the Communist *coup d'état* was 38 per cent, which is no mean popular support—many legitimate governments of the past and present have had their origin in much less. Both airily admit that the Red Chinese Revolution was largely indigenous and an exception to the general rule. (And what an exception!) Kennan admits the growth of Titoism in countries where Communists come to actual power and where they are not under the direct shadow of Moscow, and in so doing he admits the strength of indigenous, nationalist communism. Again, removed from their passages on the dependent and imposed nature of communism, Marshall on page 80 and Kennan on page 96 acknowledge that Asiatic Communist movements are indigenous.

It seems to me that Halle, Marshall, and even Kennan (with all Kennan's expert knowledge of the Soviet system) misconstrue communism as a historical movement. Halle dismisses communism as sheer "barbarism." To Marshall and Kennan, Communists are shameless, heartless, cynical, misguided, befuddled, twisted, weak, sick, irrational. These are only a few of the epithets sprinkled through their chapters. This comes dangerously near to being a "disease theory" of communism. Like all influential movements in history, communism is both rational and irrational. Americans in the 1930's overemphasized the rationality in communism. Americans in the 1950's, like Halle, Marshall, and Kennan, are overemphasizing its irrationality. For backward and underdeveloped peoples, with small native middle and capitalist classes, communism's drastic controls over production, consumption, savings, and labor are the surest and the most self-reliant way to get an industrial revolution—mechanization, modern technology, and mass production—in a hurry. True, personal liberty is sacrificed, but to peoples who

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have had neither bread nor freedom, the appeal of freedom is not likely to be nearly as persuasive as it is to peoples with generations of slow commercial and industrial development behind them and a long heritage of liberty.

The most significant inadequacy of all three of these books is their failure to integrate the gigantic social revolution of the twentieth century—whether that social revolution comes as dynamic American capitalism, or British or Indian social democracy, or Russian or Chinese communism—with international relations. True, much lip-service is paid to the social revolution of our time, but the implications of that social revolution for international relations are not sufficiently treated or applied. The vital importance of pursuing wise social politics as an adjunct of power politics, as a flank attack on communism, and as a means of keeping our allies and winning the uncommitted peoples is ignored or minimized. Instead, all warn against the corrupting and enervating influence of doles and handouts to foreigners. Kennan even states that there is little Americans can say to or do for backward peoples "that comes with tact and good grace from a nation so wealthy and successful as our own." This attitude of Kennan is the more surprising, since he insists that we make a mistake in concentrating too much attention on Russia and in neglecting our opportunities elsewhere. Just how can we better exploit our opportunities than in wise and constructive social measures for the uncommitted peoples, so that these peoples can move from feudalism to industrialism in a single generation and attain their legitimate aspirations for a higher standard of living and a better material life without going all the way to the drastic controls of Communist totalitarianism?

During the anxiety and travail of the Second World War we saw reality in a blazing clarity. We vowed that *this* time there would be not only recovery but basic reform in Europe, that there would be no miscarriage as there had been after 1919, that the grave-diggers would never be allowed to be grave-diggers again. We are now ten years away from the war, and while there has been recovery, there have been no basic reforms, except in Britain. The promise of the Marshall Plan to renovate Europe's outworn plants and machinery and to bring American methods of business management, organization, and distribution has proved abortive. At the same time, the impact of American influence and capitalism on Europe has been one of the major reasons for the miscarriage of something like a Socialist revolution on the continent. Germany has experienced a phenomenal economic recovery, but many of the old business interests are entrenched again, and today they have

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more influence in government than at any time in German history. German social security and tax laws favor business over the workers, and the gap between wages and prices is wide. The working class of France, as Barbara Ward has shown, actually gets less of the French national income today than it got in 1938, the gap between wages and prices progressively widens, and inflation is slowly bringing the country to social disaster. In Italy, agrarian reform and industrialization in southern Italy lag, and there is the same unhealthy gap between wages and prices. Increasingly America's best friends among the Italians are saying in weary desperation: "Will you Americans never understand? You plaster our walls with anti-Communist slogans, urge Scelba to promulgate anti-Communist laws, and threaten to take government contracts away from factories where there are Communist workers. These tactics do not check communism, they actually play into the hands of communism. Where are your plans for constructive reform? What a people you Americans are—business giants, but political and social pygmies!" And the tragedy of Spain is there for all to see—for all except the hopelessly hard-bitten and the blind.

Perhaps even more serious is the failure of the Americans on a grand scale to meet the challenge of the anti-imperialist revolutions in Asia. These revolutions represent indigenous nationalism and, to greater or lesser degree, indigenous collectivism. Judging from the American concessions retained in the Philippines and the American penetration into Thailand, it is not certain that the Americans really understand the nationalist aspects of these revolutions. What is certain is that the Americans still do not see the indigenous collectivism inherent in all these revolutions. How can native peoples with little accumulated capital and with a small native capital-supplying class get the benefits of mechanization and industrialization within a generation unless they resort to the collectivist devices of government? The only question is how far should the collectivism go—all the way to totalitarian communism or merely to a moderate socialism?

Anti-imperialist revolution and Communist revolution merged in China and in Indo-China, and there is an ever-present danger that these revolutions will merge elsewhere. The Americans have a long tradition of anti-colonialism and of sympathy for the underdog. The epochal spectacle of the Asiatic masses rising to shake off the oppressions and superstitions of centuries and to find their way out of immemorial miseries should appeal to Americans on the profoundest of human grounds. Besides, what a fertile soil for maneuver and for outflanking the Communists! Most peoples still want to believe in Americans.

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Americans have the wealth and the skills. These, combined with an understanding, a sympathy, and a social imagination feelingly communicated by Americans as human beings to fellow human beings, could still help vastly to bring both modern technology and freedom, within the framework of native cultures and aspirations, to those Asiatic peoples still uncommitted. Americans have exaggerated the immediacy of the military threat, and they have much more leeway for constructive social politics than they think.

An old colonial power like Britain understands the anti-imperialist revolutions better than do the Americans. The proposed Colombo program of the British Commonwealth several years ago, both in scale and in emphasis, was better conceived to meet the needs of southern Asia than was Truman's Point Four program, which was always niggardly, which was spread thinly over Asia, Africa, and South America, and which stressed the much less important technical assistance over the vastly more important capital-development programs.

The neglect of social politics may be the root of the failure of Kennan, Marshall, and Halle to treat more adequately the possible development of the United Nations into a more effective organization. Both Kennan and Marshall speculate on world government, and both are pessimistic about the development of a constituency, a consensus, a legitimacy upon which to build it. The key is probably in groups in many countries crossing national boundaries in reciprocal fashion to make alliances with similar groups abroad against dissimilar groups at home. This has been the usual historical process whereby smaller territorial units have developed into larger ones. The process can be seen today working on an international level, but the refusal of dictatorship countries to allow any groups but the ones they represent to cross national boundaries in such alliances is slowing the process. If this process of reciprocal group alliances should continue until it showed up in divided national delegations to international organizations splitting on group and party lines (as state delegations in the American Congress split on group and party lines), then we could be sure that a truly international society was really emerging. The contradiction of a nation's displaying pluralism at home and a deceptive unity abroad, which Kennan observes as a paradox in current international relations, would be resolved by the spread of pluralism abroad (to match the pluralism at home), resulting in a wider society, as it has so often done in the past.

Why have thoughtful men like Kennan, Marshall, and Halle, deeply experienced as they are in contemporary foreign affairs, gravely minimized the social revolution of the twentieth century? For one thing,

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they want to hammer home the wisdom of limited objectives in foreign policy, and American aid programs to help the anti-imperialist revolutions attain their human objectives often appear vague, remote, and unlimited in scope. However, it is well to distinguish limited objectives in specific power situations from general long-time social programs which make no dangerous commitments in a military or political sense but which may pay enormous dividends in good will decades from now.

For another thing, American grants and long-time loans to native governments for capital-development programs seem to be a betrayal of free enterprise at home. However, they are not, for the conditions which made free enterprise so successful in North America cannot be duplicated in Europe, much less in Asia.

For still another thing, foreign aid programs smack of moral crusades, and all three authors caution us against the diversionary dangers of such crusades. Now, it is one thing to crusade for impossible goals like world democracy or immediate world government; it is quite another thing to crusade for goals which are within the immediate logic of history. The anti-imperialist revolutions are not only within the immediate logic of history; they are now well into history.

Finally, Halle takes a spiritual and an idealistic view of history, and his view leaves little room for economic and materialistic motivations. Consequently, he minimizes the economic urges behind the vast social transformations and revolutions of our time. Personally, I believe his interpretation of history is too narrow to be an adequate explanation of the historical process, particularly in this materialistic age in which we live. One can be a good humanist and still take a broader and more pluralistic view of the historical process both in the past and present, as Carl Becker, Herbert J. Muller, and even Toynbee have demonstrated.

The truth is that the Americans of 1955 are much too complacent about the social situation in the world. They point to recovery, and forget that basic adjustments to the technological revolution have now miscarried for a second time in large areas of the West. True, Americans are deeply anxious about military aggression and the potentialities of nuclear weapons for cataclysmic destruction. But just as in the 1920's, the Americans of today are too oblivious of the eruptive possibilities of the dynamic social undercurrents of the twentieth century. Americans should take care lest 1955 is to an explosive 1967 what 1928 was to explosive 1939. For it is possible, even probable, that nuclear weapons will not be decisive or even used, that the same political, economic, and social factors that have been decisive in the past will be decisive in the future. Through failure to take constructive advantage of social politics,

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Americans may find in a decade or so their whole international order contracting about them, and discover, too late, to what extent they have been guilty of erecting in the mid-twentieth century a kind of neo-Metternich system.

All of this is not to belittle the clear-eyed wisdom to be found in these three books. The general excellence of their treatment of so much of international relations makes their substantial neglect of constructive social politics all the more disappointing.

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A TEXTBOOK ON THE SOVIET ECONOMY

By ALEXANDER GERSCHENKRON

Harry Schwartz, *Russia's Soviet Economy*, 2nd ed., New York, Prentice-Hall, Inc., 1954, 682 pp. $9.00.

I

IT is gratifying that, after only four years, a second edition of Harry Schwartz's book on the Soviet economy has appeared. The first edition was particularly distinguished by the strong emphasis it placed on Russia's economic development in the years immediately preceding its publication. There is probably no one better qualified to deal with the most recent periods of Soviet economic history than the man whose current reporting in the *New York Times* has given that newspaper a unique position in the West as a source of competent and sophisticated day-by-day analyses of Russian economic change. Thanks to the new edition, the story has now been brought up to the middle of 1954. This is important because significant economic events, including the launching of the Fifth Five-Year Plan and the various measures taken after Stalin's death, have occurred in the interval.

But the book is up-to-date in another sense as well. Over the same period, our knowledge of the Soviet economy has been enriched by a series of valuable contributions. We are now reaping a plentiful harvest from the years of intensive research initiated in the United States at the end of World War II. A few examples will suffice. Since the publication of the first edition, there have appeared A. Bergson's further studies on Soviet national income and N. Jasny's monographs on Soviet prices; Janet Chapman was able to announce the results of her long and detailed work on Soviet real wages; Donald Hodgman published his index of Soviet industrial output; and a large number of specialists on the various aspects of the Soviet economy united to produce an appraisal of Soviet economic growth in a symposium published under the editorship of A. Bergson.[1] In preparing the revision of his book, Mr. Schwartz

[1] Abram Bergson and Hans Heyman, Jr., *Soviet National Income and Product, 1940-1948*, New York, 1954. N. Jasny, *The Soviet Economy During the Plan Era*, Stanford, Calif., 1951; *The Soviet Price System*, Stanford, Calif., 1951; and *Soviet Prices of Producers' Goods*, Stanford, Calif., 1952. Janet Chapman, "Real Wages in the Soviet Union, 1928-1952," *Review of Economics and Statistics*, XXXVI (May 1954), pp. 134-56. Donald R. Hodgman, *Soviet Industrial Production, 1928-1951*, Cambridge, Mass., 1954.

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was able to draw on a much richer store of descriptive and analytical materials than had been the case for the earlier edition.

But while the book contains many an excellent summary of recent studies of the Soviet economy and necessarily reveals much of Mr. Schwartz's general thinking about that economy and its development, little in it can be described as an original analytical contribution by the author himself. This forbearance on Mr. Schwartz's part must be accepted as deliberate. It tends to reinforce and, in fact, to seal the character of the book as a general introductory college textbook on the Soviet economy, and it seems fair to judge it essentially in these terms.

What are the requisites of a good textbook on the Soviet economy? The field is so new that it is not easy to suggest an answer. Surely, such a textbook should provide a well-rounded picture of the Soviet economy. On this score, Mr. Schwartz's book deserves high praise. No significant branch of it has escaped his attention; in fact, the book is *hors concours* in this respect. Neither Baykov nor Dobb, the authors of the two somewhat comparable efforts, achieved as comprehensive a view.[2]

Moreover, a textbook at the introductory level should avoid immersing the student in a mass of detail. Here again the author has succeeded well. Most of his detailed information serves to illustrate general points. With a few exceptions, the reader is not overwhelmed by such material and can easily assimilate it.

Furthermore, a textbook on a particular economy should treat its problems in the light of our general economic knowledge. This requirement, too, has been satisfactorily met. The student is enabled to view the Soviet scene with the aid of modern economic concepts. However new and strange the subject may appear, at least the approach to individual economic problems will be familiar. This is a very considerable advantage.

There is little doubt, then, that this is a textbook of high quality. It is extremely readable. The level of sophistication is high and every chapter betrays the hand of a trained economist. In general, the treatment of Soviet statistics is well in accordance with present methodological and substantive standards. It is true that there are a few exceptions; occasionally, the author devotes too much space to describing economic growth in terms of the inflated official Soviet index at 1926/27 prices. Such treatment was quite in order in the first edition, but so

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Abram Bergson, ed., *Soviet Economic Growth: Conditions and Perspectives*, Evanston, Ill., 1953.

[2] Alexander Baykov, *The Development of the Soviet Economic System*, New York, 1947; Maurice Dobb, *Soviet Economic Development Since 1917*, London, 1948.

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much has since been done by American scholars in the way of providing substitutes for the inadequate Soviet indices that they really could and should be dispensed with, unless one wants to discuss the reasons for their inaccuracy. Mr. Schwartz is, of course, aware of the new material and there is more than sufficient reference to it in the book. The point is, rather, that this material is inserted as a simple addition to the old text, whereas a more complete rewriting was called for.

At times, a Soviet figure is accepted with only a superficial reservation as to its reliability, although more thorough criticism would have been in order. Thus, speaking of the Soviet claim that retail trade had grown 4.6 times (at constant prices) between 1928 and 1940, the author says that "there is no way to check such claims" (p. 453). But he might have added that any growth of this dimension seems quite inconsistent with the information on changes in the values of trade at current prices and on changes in retail prices which he himself supplies elsewhere in the book. The Soviet claim implies a smaller than threefold rise in retail prices over the period, while the actual increase was very much higher, and the volume of retail trade must accordingly be presumed to have been much smaller over the period.

Similarly, there are a few cases of careless terminology. It is confusing to the student to describe the Russian currency reforms of the early twenties and then again of 1947 as "devaluations" of the ruble (pp. 471 and 480). In conditions of a relatively free economy, such a currency reform is an alternative to a devaluation. But even under Soviet conditions, the economic differences between the two measures are very great. Through slipshod use of the term, the nature of both the disinflationary currency reform of 1947 and the adjustment of the ruble rate of exchange of the thirties (which was a devaluation in the accepted sense of the word) is unnecessarily obscured.

But things of that sort are hardly more than superficial blemishes, *lapsus penicilli*, on a broad canvas; to some extent, they may be the result of haste in composition and revision. More important, however, because they raise serious problems of organization and interpretation, are a few other points to which the remainder of this article is devoted.

II

There is, first of all, the historical introduction, which purports to provide the student with some historical background. This is a smartly, perhaps all too smartly, executed attempt to compress five centuries of Russian economic history within the pinfold of some thirty pages. This

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chapter is bound to raise doubts in more than one respect. For one, there are certain things in it that are incorrect.

For instance, it is regrettable to confuse the Russian *Perelog* with a two-field system, as is done on page 40. And it is outright deplorable to present an erroneous summary of Stolypin's legislation. The decree of November 9, 1906, did not divide "all rural communities into two groups: those in which land had been redistributed since the ending of serfdom and those in which such redistribution had not taken place" (pp. 51-52). In reality, the dividing line was "the last twenty-five years," i.e., not 1861 but 1882, at the earliest. Moreover, the purpose of the distinction is missed altogether. The author continues: "Peasant allotments in the second group of communities were recognized as being the private property of the various peasant families involved. In those communities where redistribution had taken place, any member was permitted to leave the community when he wished" (p. 52). This is not the meaning of the distinction at all. In reality, the decree prescribed that in those communities where redistribution had taken place within the last twenty-four years, and where an individual household at the moment of separation had more land at its disposal than was its due under the distributive system of the given community, the household had to pay for the surplus land, although it did so at the very favorable, low average price determined under the redemption procedure. If no redistribution of land had taken place within the preceding twenty-four years, the existing surplus land became the private property of the household without any need for payment to the community. The decree of November 9, 1906, however, did not introduce any automaticity into the process of acquisition of property rights by individual households, as is suggested by Mr. Schwartz. That was left to the law of June 14, 1910, which he does not mention at all. Under this law, households in communities to which land was allotted between 1861 and 1887 and where no general redistribution had taken place automatically became private owners of the lands which they utilized, regardless of the existence of any surplus in relation to the number of workers or consumers in their families. In those communities where general redistribution had taken place and had been carried out in accordance with the provisions of an act of 1893, and in communities to which land had been allotted after 1887, property rights were not established automatically. In those cases, a separation procedure was necessary, and surplus land was not left with the individual households except upon payment of a sum computed at the average redemption prices. Quite different from

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the separation provisions were the consolidation provisions, which in both legal acts applied to all households acquiring private property rights, regardless of the time of land allotment and of general redistribution. The consolidation rights were certainly not confined to those communities where redistributions had taken place within any specified period, which is implied in Mr. Schwartz's text (*ibid.*) and would be a rather nonsensical provision.

There are several reasons for having dwelt so long on Stolypin's legislation. It was, of course, one of the most important acts of agrarian policy in Russia in the period preceding the revolution. In addition, it is almost traditionally misquoted. Mr. Schwartz by no means stands alone in giving an inaccurate summary of it, nor is he necessarily the worst offender. Of more general significance is the fact that his inaccuracies are essentially the result of relying on secondary or even tertiary sources. Mr. Schwartz's historical chapter is, in the main, compiled on the basis of two or three previous studies. In this respect, there is a striking difference between that chapter and the bulk of the book, particularly the parts devoted to the most recent periods, where primary sources have been used very extensively. It would seem fair, therefore, to question the usefulness of the chapter on the basis of the reliability of its contents.

In addition, the historical treatment is hopelessly superficial throughout. Such a brief survey can be justified only if it embodies a serious attempt to fasten attention upon some specific features of the processes of economic change and to bring out the element of continuity in those processes. The somewhat unusual title chosen by Mr. Schwartz—*Russia's Soviet Economy*—would make one think that he wished to place particular emphasis upon continuity and to view the Soviet economy as incorporating some traditional patterns in Russian economic history. But aside from some hints as to possible affinities between Stalin's and Peter the Great's policies, there is hardly any step in that direction. It is another question whether this would be a promising approach and the present criticism does not purport to answer it. The problem, rather, is one of structure. Chekhov once remarked that a rifle hanging on the wall in the first act of a play must go off in the fourth act or not be there at all. The point is that the historical survey does not go off in any of the subsequent parts of the book. It is the feeling of this reviewer that the author might be well advised to delete the historical section in future editions. A succinct description of the

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Russian economy on the eve of the First World War would be of much greater benefit to the reader.

III

The chapter devoted to ideology, the second "background" chapter, likewise raises doubts, and to some extent on similar grounds. In another thirty pages, the author manages to cover Marx's philosophical and historical views, his critique of capitalism and his views on socialist economy, the early stages of Russian Marxism, Leninism and, finally, Stalinism. As could not be otherwise, the treatment is superficial in the extreme. And, even more than in the case of the historical chapter, there is the question of the relevance of the material to an understanding of the Soviet economy. Mr. Schwartz very rightly does not follow those writers who represent Soviet economic development as having sprung full-grown from the head of Marx. He says explicitly: "During their lifetimes, Lenin and Stalin did not hesitate to alter the shape of Soviet life away from the Marxist blueprint where that was necessary to retain power" (p. 86). He repeats: "Stalin did not hesitate to depart from and to revise the doctrines of his predecessors when he deemed such action necessary or expedient" (p. 93). And finally: "The true importance of the pre-revolutionary blueprints is that they provided the leaders of the Soviet state primarily with objectives; on the vital questions of tactics, forms of organization, and rate of development they gave little or no guidance" (p. 101).

It is fairly clear that the author has some doubts about the significance of the ideology as a determinant of Soviet economic evolution. He demonstrates well, for instance, how in the early years after the revolution a very hesitant government was pushed by the sheer force of events along the road of nationalization (p. 104). But his position remains ambiguous. He says: "In a very real sense, Stalin's major contribution to communist ideology was incorporated in the organization and doctrinal orthodoxy of the Soviet state as it developed during his rule. This organization and this doctrine are key factors of the Soviet economy which is the subject of this volume" (p. 93). It is customary in the Soviet Union to present Stalin as the man who always followed unwaveringly a straight line of policy. The reality, of course, was very different. There is not one doctrine of Stalin, but a fair number of them. In fact, a good deal of Soviet economic history could be written in terms of answers to the question, "Why did Stalin change his mind?" But if this is the case, if Stalin's "ideology" was continually changing

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in response to the exigencies of changing situations and, in particular, in response to the exigencies of power mechanics, there would seem to be little ground to treat his "doctrine" as "ideological background" or as a "key factor" of the Soviet economy. The keys must be found elsewhere. An unwillingness to search for them and the idea that the Soviet government holds fast to the ultimate objectives of some "pre-revolutionary blueprint" appear to have affected, and affected unfavorably, certain important portions of the book.

Thus the reasons that prompted the government to initiate the policy of the Five-Year Plans are hardly given at all and the reader, equipped as he is with the "ideological background," is left to interpret the change from the NEP in terms of some "withdrawal and return" mechanism. The collectivization is explained in terms of inadequate grain supplies, but even here the picture remains highly incomplete.

A very crucial factor is not mentioned at all, i.e., the fact that Soviet industry in the second half of the twenties approached the point of full utilization of prewar capacity, so that further increases in output would have required much greater sacrifices in terms of investment; higher rates of investment, in turn, were bound to have further unfavorable repercussions upon grain supplies, at least temporarily. One cannot avoid the feeling that Mr. Schwartz did not think it necessary to go into a discussion of these factors because the "ideology" had provided him with a simple and sufficient explanation. His very dubious statement that the government regarded its policy as directed primarily against the "kulaks"—the rich segment of the peasantry—points in the same direction (p. 112). In reality, it was the whole surplus-producing peasantry (actually or potentially) who were the enemy and the target of the collectivization drive. There is enough in Stalin's writings to show that he understood this very well.

And, finally, the overestimation of the role of ideology and the belief that the final goals are still determined by the original aims of Marxian socialism lead the author to end his book with a discussion of the likelihood of Soviet Russia's attaining, by about 1970, the "state of abundance" which, in Soviet parlance, is described as "communism" or "the last phase of socialism." Mr. Schwartz provides a sensible definition of abundance and then proceeds to cast equally sensible doubts on the Soviet ability to reach the requisite goals by, say, 1970. But, here again, acceptance of the "avowed ultimate goal" as the actual goal of the Soviet government may have misled the author. It is at least possible, and much in the history of Soviet Russia lends support to the supposi-

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tion, that a rapid and sustained increase in consumers' standards will tend to change the political structure in Russia in a manner quite prejudicial to the interests of the Soviet government. A dictatorship needs enemies; it needs a situation of continuous tension. It is very difficult to imagine that a state of "abundance" can be achieved or even that serious steps in that direction can be taken without raising at the same time the problem of freedom in the minds of the Russian people. It should, therefore, not be taken for granted that "abundance" in any sense is the ultimate goal of Soviet policies. It is possible, of course, that the Soviet government might be forced by internal dissensions along the road of rising consumption levels. But then the growing abundance probably would have little to do with any "phases of communism," last or otherwise. Surely, no single explanation of a complex phenomenon will ever suffice. In the light of what we know about Soviet Russia, however, it seems much more reasonable to assume that the Soviet government is motivated more by a keen sense of power politics than by the tenets of the original socialist ideology. The tone of healthy scepticism with which Mr. Schwartz speaks of the much-advertised change, in 1953, in Soviet consumers' goods policy (pp. 125, 457) indicates that his appraisal of the determinants of Soviet policy does not differ basically from the one presented here (although a somewhat different impression is given later, on p. 644). There is all the more reason, therefore, to suggest that in following editions the chapter on ideology be omitted. It adds little, and it confuses more than it clarifies. Once this is done, the author is bound to supply more probing explanations of Soviet economic change, and the book stands to benefit greatly as a result.

IV

For the rest, and always keeping the contingency of future editions in mind, the book could be further improved mainly in two directions. First, the introduction of a good deal more material relating to international comparisons would be desirable, although the book is by no means destitute of them at present. More frequent comparisons with Russia before the revolution might also be in order, but they should be selected carefully, with a proper historical sense. For instance, the present reference (on p. 252) to the 302 small blast furnaces in prewar Russia is highly misleading. A meaningful comparison would have referred to the Russian South alone; it would then appear that the average output per blast furnace in pre-revolutionary Russia was not small at all, but in fact surprisingly large in terms of contemporaneous

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conditions in advanced industrial countries in Europe. This was natural for a country relying heavily on borrowed technology—a circumstance, by the way, that the author tends to play down somewhat throughout the book.

Second, the depth of analytical penetration could usefully be increased at many points. To give a few examples: In discussing the role of the turnover tax in Russia, more stress could be laid on its double function—mopping up the surfeit of purchasing power and restricting consumers' sovereignty. The problem might well be discussed in terms of available fiscal alternatives as between turnover taxes and income taxes. Such a discussion, incidentally, would shed additional light on some specific problems of the Soviet economy, and in particular serve to underscore once more the basic unwillingness of the planners to pay much attention to the production of consumers' goods, even after they had restricted the aggregate consumption by deciding upon a high rate of investment and military expenditures. Also, the reasons for the existence of profit taxes as distinguished from turnover taxes might usefully be explained. At present, the reader must simply take their existence for granted.

Much more attention should be paid to the problem of managerial freedom versus plan coercion. Thereby, certain important areas of the Soviet economy would be thrown into bolder relief. The role of prices in the Soviet system is a case in point, and it appears that in the present text the actual significance of the price system is insufficiently discussed. In particular, the question of the role of subsidies in the system should be raised. As it is, the reader is never told why the Soviets have had recourse to subsidies at all. Quantitative decisions with regard to allocation are given so much weight that neither the role of subsidies nor the actual extent of free managerial decisions can be properly appreciated. (Incidentally, in speaking of Soviet attempts to force upon the managers a certain pattern of resource utilization through means other than price changes, Mr. Schwartz cites—on p. 202—the case of petroleum products. The example is not very felicitously chosen, because a turnover tax was in fact imposed on such products precisely in order to change the petroleum-coal ratio in fuel consumption. On p. 490, a table is cited in which the petroleum industry appears as a fairly important source of revenue from that tax.)

The discussion of factors determining the rate of growth in Russia might be further enriched by reference to the possibility of a secular increase in the rate of investment and a similar decline in the marginal

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capital intensity of output. In the same connection, something might be said about the changing significance of capital amortization in different periods of Soviet economic development. Finally, the section on interest rates in the Soviet economy might be improved by tying it much more closely to the discussion of the price system, even though this required considerable rearrangement of the text.

Changes of this nature need not and should not affect the present character of the book as an introductory text. On the contrary, by providing a clearer view of the Soviet economy, they should facilitate rather than hamper the student's comprehension. These are simple things and they can be said simply. And, in general, it is very often incorrect to assume that an incomplete picture is less confusing and more easily assimilated than a complete one. To return to a previously mentioned case, the student to whom the function of subsidies in the Soviet economy remains unexplained will also remain baffled as to the nature of both the quantitative allocations of resources and the price system, to say nothing of the subsidies themselves.

If this reviewer is not badly mistaken, *Russia's Soviet Economy* will stay with us for a long time to come. It will continue, in succeeding editions, to register the further evolution of the Soviet economy and such progress as, we hope, will be achieved by the students of that economy. Yet, more is called for than mere periodic incorporations of the most recent facts and analyses. The book should be improved in a variety of ways, as much by deletions as by additions. To say this does not in the least mean to cast aspersions on its present quality. It is precisely because it is a good book that it is so much worth improving. It would be regrettable if, for one reason or another, the author shied away from a serious attempt to make the future revisions a good deal more extensive, and perhaps also less mechanical, than has been the present case.

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LAND REFORM AND ECONOMIC DEVELOPMENT*

By ALEXANDER ECKSTEIN

David Mitrany, *Marx Against the Peasant: A Study in Social Dogmatism*, Chapel Hill, N.C., University of North Carolina Press, 1951, 301 pp. $4.50.
United Nations, Department of Economic Affairs, *Land Reform: Defects in Agrarian Structure as Obstacles to Economic Development*, New York, 1951, 101 pp. $.75.

I

THE struggle for ownership and use of land and its produce has been one of the key variables shaping social, political and economic organization throughout history. However, the events surrounding the Russian revolution of 1917 and its aftermath placed the "land problem" on the agenda of contemporary politics and economics once again. The confiscation and distribution of land in Russia helped to arouse the land hunger of the peasantry in the agrarian belt of Europe that stretches from the Baltic to the Aegean. In order to channel this revolutionary upsurge, most of the newly emergent governments of Eastern Europe began to introduce more or less drastic measures of land redistribution. This process was carried a step further in the course of the reforms that followed World War II.

After World War II, the challenge posed by the land problem shifted from Europe to Asia. The rising aspirations of the underdeveloped areas for higher standards of living, the movements for national independence, and the general urge for economic development all served to bring this issue to the fore with renewed force. This was most clearly dramatized by the Communist conquest of China, a conquest in which agrarian unrest undoubtedly played an important role.

Faced with the postwar challenge of Communism and nationalism in Asia, the United States began to grope for ways of meeting it that would fire the imagination of Asian intellectuals and satisfy the craving of the peasantry for improved standards of living without involving a large expenditure of funds in that part of the world. It was against this background that we stumbled into Point IV and undertook active promotion of "land reform" for the underdeveloped areas. Thus the United States embarked upon a policy of consciously and delib-

* The author is indebted to Barrington Moore, Jr., W. W. Rostow, Marshall Shulman, and Donald Treadgold for their helpful comments and criticisms.

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erately fostering economic and social change in agrarian countries. This policy was epitomized in Secretary Acheson's address to the General Assembly of the United Nations in which he urged the United Nations to "make special efforts to advise and assist governments in improving land use and productivity."[1] This was followed by the submission of a land reform resolution to the United Nations and by a series of official policy pronouncements at meetings of the Economic and Social Council, the Food and Agriculture Organization, and other United Nations organs.[2] In this way, the land problem was—perhaps for the first time—brought into the arena of international diplomacy.

In adopting this policy, the United States was confronted with an awkward dilemma. Active promotion of land reform inevitably involves not only a redistribution of land or farm income, but also some change in the relation of social and political forces. It is a measure which is bound to upset the prevailing socio-economic and political equilibrium, however precarious that equilibrium may be. It can unleash powerful forces, and may start a chain reaction the ultimate outcome of which is difficult or impossible to predict. On the other hand, failure to introduce reform and attempts to shore up existing regimes may preserve only a temporary semblance of stability—a stability which is being corroded at its very roots. Therefore, the pursuit of an active international land policy by the United States is implicitly and explicitly based on the assumption that short-run stability must be sacrificed, regardless of the attendant risks, so as to attain in the long run a more sturdy equilibrium founded on more democratic institutions. This set of considerations was most clearly illustrated in the case of the post-World War II Japanese land reform, which resulted "as much from a recognition of the close relationship between the anti-democratic tradition of Japan and the rural landlord system, as from an interest in the tenant farmers' welfare."[3]

II

It is against this background that land reform has become such a prominent issue in recent years. However, in the debates and analyses that have ensued, the term itself is frequently used rather loosely by

[1] Address before the General Assembly on September 20, 1950, in *Department of State Bulletin*, XXIII, No. 587 (October 2, 1950).

[2] See U.N. Resolution on Land Reform adopted on November 20, 1950, U.N. doc. a/154 R., in *ibid.*; also the statement by Isador Lubin in the ECOSOC session at Geneva on September 3, 1951, and his statement in Committee II of the General Assembly on December 2 and 5, 1952.

[3] William W. Gilmarstin and W. I. Ladejinsky, "The Promise of Agrarian Reform in Japan," *Foreign Affairs*, XXVI, No. 2 (January 1948), p. 314.

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advocates of conflicting objectives. Actually, the term "land reform" may refer to any of the following transformations: (a) A break-up of estates, latifundia, or plantations and a redistribution of landholding. It is in this sense that the term has most often been used in the past. (b) A tenure adjustment, involving change in the conditions of land tenure—that is, in the terms of tenancy arrangements in respect to security of tenure, land title, water rights, size, determination, and manner of rent payments, etc. (c) A change in the agrarian structure as a whole—that is, a rather far-reaching reorganization of the whole agricultural economy, involving not only a change in the size of landholding, or in landlord-tenant relations, but in a whole range of institutions affecting agriculture, such as farm credit and marketing arrangements, systems of agricultural taxation, education and extension services for the farmer, small-scale rural industry, etc.

While the concept of "land reform" is applied generically and interchangeably to all of these measures, each group is apt to yield different economic and social results. However, confusion in this realm is not confined to definitions, but also to motivations and goals. It certainly is not irrelevant to determine whether land reform measures—in any one of these aspects—are primarily designed to improve peasant welfare, to foster agricultural development, or to facilitate general economic development without regard to specifically agricultural effects. Measures designed for one purpose need not serve another. In other words, the agrarian problem may be viewed from the standpoint of production (thus belonging to the category of economic development) or from the standpoint of income distribution (in the category of social organization and rural welfare). This is not to suggest that the two are necessarily mutually exclusive, but neither can one assume that they automatically converge at all points of time.

These two essentially different approaches to the agrarian problem are very well illustrated by the two essays which form the subject of this review. Thus Mitrany in his *Marx Against the Peasant* focuses his attention upon the peasant and looks at the land problem from a peasant point of view. The United Nations report, on the other hand, examines the issues posed by land reform within the context of economic development.

As its subtitle implies, this report is basically a survey of the major institutional impediments to agricultural development—and a very good and concise survey it is. However, it falls short of a tightly reasoned analysis of the effects of institutional change in agriculture upon land use, output, marketing, and capital formation. This is not to say that

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these issues are unrecognized, but that they are generally treated only in passing, or implicitly rather than explicitly. In a sense, the United Nations report asks how one can increase national product and assure sustained economic growth and yet satisfy the aspirations of the peasantry for rising standards of living. In contrast, the question which Mitrany asks in his study is, "How can one on the existing surface secure a living to a maximum number of people through the use of their labor in the villages?"[4]

III

In this article, the focus is primarily on those aspects of *Marx Against the Peasant* that deal with the land problem in its relation to economic development. However, it may be well to discuss briefly some of the other issues raised by Mitrany. It may be fair to say in passing that this is an important rather than a good book. It is important in the sense that it poses a number of vital questions in the field of agrarian theory and policy, it provides some real insights into some of the problems it raises, and it presents an able analysis of Marxist agrarian theory and practice. On the other hand, the essay lacks precision, the analysis is not rigorous, and it is peppered with inconsistencies and occasional inaccuracies.

For example, in discussing the position of the countries of Eastern Europe, Mitrany maintains that "taken as a whole their outlook and aspirations were western and had less affinity to Russia than to any other cultural center" (p. 87). It would be hard to justify this judgment, at least insofar as it applies to Serbia and Bulgaria, and probably also to the other Slav countries. Again, in a section dealing with problems of economic development in Eastern Europe, we are told that "the industries set up after 1918 . . . were mostly primary or heavy industries" (p. 105). This finding is not substantiated by any relevant measures of growth, which point to the textile industry as the one which expanded most rapidly in the majority of these countries. Roughly between 1920 and 1940, the number of people employed in the textile industry increased about seven-fold in Rumania and about four-fold in Hungary. During the same period, employment in the metal-working and engineering industries rose only approximately 50 per cent and 35 per cent, respectively.[5] Although the data for Yugoslavia are less precise, all

[4] Mitrany indicates that this question is the one posed by Populists. He does not explicitly identify himself with this formulation, but, as I will try to show, it partially reflects his own predilections.

[5] Institutul Central de Statistica, *Annuarul Statistic al Romaniei, 1939 si 1940*, pp. 478-85; L'Office Central Royal Hongrois de Statistique, *Recensement General de la*

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indications point to similar trends there. On the other hand, in Poland and Czechoslovakia, where the textile industry was already fully developed by 1918, there was comparatively little or no expansion.

In analyzing the nature of the peasant parties in Eastern Europe, Mitrany describes them as "exclusively peasant" (p. 125). It would, however, require stretching the imagination to think of the Croatian Peasant Party or the Czech Agrarians as "exclusively peasant." The former had a peasant base, but was a party of Croatian nationalism and separatism with strong clerical, intellectual, and urban middle-class elements in its leadership. The latter started as a party of the peasantry and the provincial bourgeoisie, but gradually its base of support shifted more and more in the direction of the industrial and commercial classes. Pursuing the same subject, the author writes: "In Hungary and Rumania the Peasant groups openly stood up against the virulent anti-semitism tolerated if not encouraged by those in power" (p. 139). This statement is difficult to reconcile with the fact that Tibor Eckhardt, the leader of the Hungarian Smallholders' Party in the 1930's, was one of the most vocal anti-Semites in that country.

These inconsistencies and misjudgments seem largely attributable to Mitrany's ambivalence toward the problems he discusses. One of his central themes is Populism, which he attempts to approach as an objective observer and a social scientist, but he does not quite succeed. In a sense, he is a prisoner of the ideology which forms the subject of his essay. As a result, he constantly and inadvertently switches his roles from that of an outsider who is observing and analyzing to an insider who is himself emotionally and intellectually involved. Whenever he assumes the first posture, he is capable of brilliant flashes of insight, which are frequently canceled by a reversion to the second role.

To Mitrany, Populism was essentially a reaction to Marxism, while the peasant parties were great protagonists of liberalism, democracy, pacifism, and international understanding; they were advocates of tolerance, opponents of anti-Semitism, deeply misunderstood by the Socialists, who as captives of their own dogma were unable to appreciate the progressive character of the peasant movement. Except for this Marxist dogmatism, the way would have been open to the close peasant-Socialist collaboration that would have enabled democracy to survive in the peasant countries of Europe.

Population, 1930, II, p. 28; Thirring Lajos, "Occupational Distribution of Our People" (in Hungarian), *Magyar Statisztikai Szemle*, XXV (January-February 1947), Table III, p. 7.

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While this view has definite elements of truth, it represents a highly distorted picture of reality. Populism was not a reaction to Marxism; it developed independently of it by the grafting of pre-Marxist Socialist ideas, imported into Russia from the West, upon a system of agrarian value orientations which permeated the Russian intelligentsia of the nineteenth century.[6] Moreover, Populism preceded Marxism in point of time.[7] It attained prominence in the 1860's, while *Das Kapital* was first translated into Russian in 1872 and Plekhanov began his Marxist activities only in the early 1880's.[8]

As for the peasant parties of Eastern Europe, Mitrany's is an idealized image. There is no question that right after World War I, the peasant parties of Bulgaria (Stambuliski), Croatia (Radic) and, to a lesser extent, Poland (Witos) were swept by a wave of peasant radicalism and were determined to bring about a genuine change in the economic and social status of the peasantry. These parties were weakened and defeated not only by the forces of reaction and military dictatorship, but also by their own ideological confusion. They were permeated with an anti-industrial peasant mysticism and lacked a coherent and integrated program of economic development. Gradually, their radicalism was watered down, as their base of support was widened to the point where they lost much of their original peasant character. In the process, the Croatian party became strongly nationalistic and clerical; the Czech party became a bulwark of conservatism; and the Rumanian party remained ineffective and innocuous.

IV

The ideal of all Populists—be it in Russia, Eastern Europe, India, or the United States—is very well expressed by Mitrany's observation that "the peasant's way to security may not provide him with such great material benefits as those now given in the West by the State, but it is

[6] See Alexander Gerschenkron, "The Problem of Economic Development in Russian Intellectual History of the Nineteenth Century," in *Continuity and Change in Russian and Soviet Thought*, ed. by E. J. Simmons (to be published by Harvard University Press).

[7] Mitrany admits this toward the end of his book, when he says on p. 206: "It is overlooked that in Eastern Europe there was a strong Populist, that is, agrarian-peasant revolutionary movement before the new 'scientific' Socialism came upon the scene." This is in direct contradiction to the thesis which runs throughout Chapters 2, 3, and 4. For example, in Chapter 4 (p. 25), he writes: "The revolt against Marxism followed exactly this variation in economic structure. It traveled eastwards in ever-widening eddies until it struck the shores of Russia; there it encountered intense local currents and the returning tide came back transformed out of all recognition as Populism, and in that guise overflowed into the neighboring peasant countries."

[8] See Sir John Maynard, *Russia in Flux*, New York, 1951, pp. 118-20.

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a security which he can achieve with his own hands and which leaves him free to stand on his own feet" (pp. 112-13). This symbolizes an attitude which stresses the inherent values of farming as a "way of life" and the advantages that subsistence farming derives from being independent of the "impersonal forces" of the market. At the same time, it focuses on the evils of urbanization and industrialism, the advantages of small-scale decentralized industry, and the importance of bringing the factory to the farmer, rather than bringing labor from the farm to the factory. The implicit or explicit objective is to preserve a rural value orientation in society, even if it assures no more than a certain minimum level of economic security and well-being.

One of the major difficulties with this approach is that it may turn out to be self-defeating under conditions of acute population pressure, particularly when coupled with rapid rates of population growth. With a marginal propensity to consume that tends to be high under these circumstances, and a milieu that is not conducive to technological change and innovation in its broadest Schumpeterian sense, both the capacity and the inducement to invest are likely to be low. As a result, the rate of economic growth may be so slow that per capita rural standards will deteriorate in the long run.

This, of course, is not an argument against land reform as such, only against a rural-oriented reform. In any case, land reform cannot and need not always be justified on economic grounds. The relief of social and political tensions can provide both a necessary and a sufficient basis for land reform, which incidentally may also create the necessary institutional preconditions for economic development. Such reforms may appear to have negative effects in a purely economic context; yet, through their impact on the social structure, they can bring about different entrepreneurial attitudes and value orientations, as well as a different complexion in state control, all of which may be conducive to raising the rate of saving and capital formation in the economy. In what follows, an attempt will be made to analyze briefly the particular conditions under which, and the ways in which, this process operates.

In tracing more or less schematically the economic effects of land reform, it may be useful to distinguish between effects (a) upon farm output, and (b) upon savings and capital formation in and out of agriculture.

(A) EFFECTS UPON FARM OUTPUT

Here one needs to distinguish between large-scale estate or plantation agriculture and small-scale tenant farming. In the first case, owing to

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the pressure of population upon arable land resources, the break-up of holdings has typically led to the creation of a vast number of minifundia, so uneconomical in size that they cannot afford those improvements for which inputs need to be purchased. In contrast, the latifundia are usually better endowed with capital and technical know-how, so that they can afford better farm practices, such as better seed selection, larger applications of commercial fertilizer per acre, etc. This, of course, is reflected in higher yields per acre; as a result, the break-up of estates has usually resulted in curtailment of output on holdings where most or all of the land was under cultivation.

These declines in farm production have been aggravated in the past by the fact that far-reaching land reforms have been politically feasible only in more or less revolutionary situations such as those following both World Wars. However, such conditions are particularly inopportune from an economic point of view, since creation of a large number of new farms imposes severe strains upon investment resources at a time of great capital stringency.[9] New farms mean more farm buildings, more livestock and farm implements. Furthermore, land redistribution is bound to result in temporary disruption at least, thus depressing farm output when, in a postwar situation, agricultural production is already curtailed in other ways.

While all of the aforementioned factors tend to depress farm production in the short run, they need not do so in the long run, provided that land reform is accompanied by a restructuring of the whole agrarian framework and by measures designed to relieve agricultural population pressure, i.e., industrial development. However, even without these measures being pushed vigorously, aggregate farm output may rise in the long run through changes in the internal organization of the farm. Large estate agriculture is dependent upon hired labor and thus tends to pursue labor-extensive methods of operation. This, combined with many other considerations, induces latifundia to concentrate upon a few cash crops or, in many cases, upon only one. Small farms, on the other hand, have every incentive to utilize as fully as possible the labor power of the farmer and his family. Thus, other things being equal, a break-up of large holdings will gradually tend to lead to more labor-intensive types of farming; this means diversification, less dependence upon one crop, greater livestock density per acre, and increased output of vegetables and livestock products. While this is obviously a positive develop-

[9] See Alexander Eckstein, "Land Reform and the Transformation of Agriculture in Hungary," *Journal of Farm Economics*, XXXI (August 1949), pp. 456-68.

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ment from a nutritional point of view, its economic effect will depend upon the comparative state of the market—both domestic and foreign—for the staple cash crops vs. vegetables and livestock products.

Quite different results are likely to ensue upon the redistribution of estates with vast uncultivated tracts of land, such as are frequently found in Latin America. In such cases, land reform may serve as one of the instrumentalities through which cultivable but uncultivated land is brought under the plow.

Land reform designed to change conditions of farm tenancy tends to produce an entirely different set of effects. This type of reform for the most part involves transfer of ownership title from landlord to tenant, without any change in the size of the farm management unit. In such a situation, one need not expect any immediately perceptible drop in output, unless the landlord performed a managerial function and/or provided some of the production requisites, i.e., farm implements, seeds, etc. However, any decline on this account could be considered as more or less temporary, since with the elimination of the rental obligation, the farm operator would be in a position to purchase these requisites himself. On the other hand, to fill the managerial gap may take a longer time in the comparatively few cases in which the landlord actually does perform such a function.

The long-run production effects following a tenancy reform will depend upon the structure of incentives and the changes in farm organization. In areas where rents are paid in kind, landlords almost invariably demand the principal staples in payment, which forces the peasants to devote a larger proportion of their land to the cultivation of these crops than they otherwise might do. In cases where the rent burden is particularly onerous, removal of this burden will automatically relax the pressure upon the farmer to produce staples. This may be counterbalanced by the fact that, under the new dispensation, the farmer can be confident that he will not have to share his increment in output with the landlord, so that he will have stronger positive incentives to raise production. Actually, a reduction in rents and increased security of tenure—that is, various measures of tenure adjustment without an actual title transfer—may work in the same general direction. At the same time, abolition of farm tenure or changes in tenancy arrangements are likely to lead to transformations in the pattern of land use similar to those that have been traced in the case of land redistribution.

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(B) EFFECT UPON CAPITAL FORMATION

Most economic analyses of land reform seem to concentrate on the output, marketing, and rural welfare aspects of the problem, devoting very little attention to investigations of the relations between land reform and capital formation.[10] The United Nations report touches on the question at several points in its discussion of farm credit and taxation, but one searches in vain in this otherwise excellent survey for a systematic exploration of the problem. While no exhaustive treatment of this subject is intended or possible here, a few notes of caution may be in order.

In the past, the prevailing assumption has been that land reform almost automatically results in a decline in farm savings and investment. This, however, may be the case only under certain very specific circumstances, while under other conditions the reverse may be true.

In this context, it may be useful to distinguish between monetary and non-monetary forms of investment. The latter are almost bound to rise with the acquisition of land or improved security of tenure, since the farmer's incentive for long-run improvement is increased. There is a certain limited range of investments that can be undertaken with materials and labor available on the farm. These are the types of investment that are very difficult to measure, and thus tend to be greatly underestimated in the national accounts of most of the underdeveloped areas. Indian experience provides some indications that the increases in agricultural production in recent years may partly be due to increases in these types of investment.

The effect of land reform upon monetary savings will depend upon changes in marketed output, the relative marginal propensity to consume of small farmers as compared with landlords, and the changes in fiscal policy and management. As was indicated earlier, other things being equal, land reform will tend to lead to shifts in the pattern of land use in the direction of greater crop diversification and increased livestock density per acre. On both accounts, the quantities of staple products (grain, sugar, coffee, etc.) that continue to be brought to market are likely to decline. However, if market conditions are favorable, there is no particular reason why, after a period of readjustment, this reduction could not be more than made up by increased marketings

[10] The brief but lucid and well-reasoned treatment by Philip Raup represents one of the few exceptions; see his paper on "Agricultural Taxation and Land Tenure Reform in Underdeveloped Countries," in *Agricultural Taxation and Economic Development*, ed. by H. P. Wald in association with J. N. Froomkin, Cambridge, Mass., 1954, pp. 261-64.

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of vegetables and livestock products. Thus, it can be said that in a post-land reform situation, one may expect at least a temporary decline in farm money income, which, however, may be reversed in the long run. Such a decline would of course almost certainly bring with it a reduction in the money savings of the farm economy.

In respect to the relative marginal propensity to consume of landlords and small farmers, there is practically no—or, at best, only very poor—empirical evidence. Yet it has been generally believed that it is appreciably lower for the comparatively higher-income landlord groups than for the low-income owner operators. Perhaps, on an *a priori* basis, one cannot say more than that the structure of consumption may be expected to be quite different as between the two groups, but that the marginal propensity to consume will depend upon their relative attitudes and value orientations. Thus, in the one case, increments in income may be directed into "conspicuous" consumption; in the other, they may be used for purchases of consumer necessities.

So far as fiscal effects are concerned, one of the paradoxes of land reform is that while administratively it may be easier to collect taxes from a small number of landlords than from a numerous peasantry, politically just the reverse may be true. Actually, land reform may serve as one of the means by which it becomes politically feasible to transfer the capital-accumulating function from the landlord to the state. This is, of course, one of the prime economic motivations for the Communist land reforms; it provides a mechanism for appropriating through taxation the rents formerly paid to landlords and for raising the rate of investment. However, this or some other means of forced saving may be perfectly feasible or compatible with economic development objectives in a democratic framework as well.

Land reform may not only affect the supply of savings, but also the opportunities and the inducements to invest. Thus, landlords deprived of their rental incomes and in receipt of funds representing full or partial payment for their land may seek new investment outlets. This may be reinforced by the fact that land values can be expected to drop and land speculation may be curbed following land reform.

As a general proposition, the ways in which land reform affects economic development will to a large extent depend upon what role the agricultural sector as a whole is expected to play in the process. From this point of view, three broad paths of development may be distinguished. In the first, agricultural investment is minimized, while the process of industrialization is in part financed through net resource

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transfers out of agriculture. This is essentially the Soviet model, which involves industrial development at the expense of agricultural development. Industrialization is accelerated at the outset by virtue of the very fact that, following land reform, agriculture is kept on a short investment ration and a larger share of investment resources can therefore be concentrated in industry. This policy in turn sets up its own vicious circle; because agricultural development is sluggish, while the demand for farm products grows, owing to population growth and increasing urbanization, the authorities are forced to extract a rising proportion of farm output if this demand is to be met. This very process, however, further interferes with agricultural development, so that the screw must be applied even tighter and, under such circumstances, farm output is sacrificed for control and strong compulsions are set in force which drive the system toward collectivization.

The second path may be characterized as one in which agricultural development is stimulated and encouraged, but the increment in farm output is captured for investment in both agriculture and industry. In highly schematic terms, this is roughly the Japanese development model: farm output is raised, but consumption is kept in check, so that here, too, the industrialization process is partly financed through net resource transfers out of agriculture. Essentially, the distinction between this model and the one employed by the USSR is a matter of degree rather than kind.[11]

Finally, in the third avenue, development is focused upon the peasant and his welfare. One of the central objectives of development is to raise not only agricultural product, but rural consumption standards as well, even if this has to be accomplished at the price of a slow rate of industrialization. In a sense, this is the premise on which the Indian planning model is based. In this context, then, land reform becomes one of the primary instruments for the implementation of these objectives. However desirable this model may seem from the standpoint of democratic objectives in the underdeveloped areas, there is a real question whether it is a feasible model amidst conditions of rapid population growth. In many respects, the outcome of the present struggle in Asia will hinge upon which of these three paths will best meet the aspirations of the continent's intellectuals and peasantry for increased national status and rising standards of living.

In essence, land reform poses some very basic dilemmas for develop-

[11] This, of course, would not be true in respect to the institutional and political arrangements through which the transfer is accomplished.

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ment policy and strategy. On the one hand, it is a prerequisite for stimulating peasant incentives and for creating an environment favorable to long-term improvement in agricultural techniques. Without these, a program of agricultural development is almost certainly bound to fail, as has been amply demonstrated by the Soviet and East European experience. On the other hand, if farm consumption is stimulated by income redistribution resulting from land reform, it may become more difficult to maintain the rate of saving at levels which assure sustained agricultural and economic growth, as well as rising standards of rural welfare. Thus, if it is to be successful, development planning must strike a balance between those whose attention is so exclusively focused on raising the standards of rural welfare that they may sacrifice economic growth objectives altogether, and those who are so bent upon maximizing the rate of industrialization that they are willing to sacrifice agriculture and the peasant. In effect, an economic development program must take account of both aspects of this problem in order to arrive at a balance which will permit increases in consumption sufficient to maintain incentives, while assuring increases in saving sufficient to yield a rising per capita product.

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